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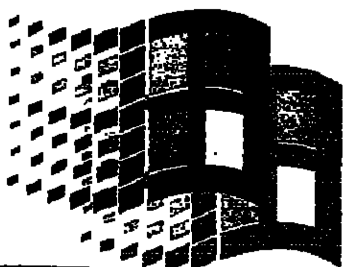
FINANCIAL TIMES



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Software pirates turn violent
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The danger of prophecy
Samuel Brittan, Page 12

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Ex-premier fights back
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World Business Newspaper THURSDAY NOVEMBER 23 1995 D8523A

Tokyo plans special body to rescue collapsing banks

The Japanese finance ministry will form a specialist organisation to rescue the country's collapsing banks in a move prompted by the discovery of greater losses than estimated at one of the institutions that collapsed this year. The body, modelled on the US group which disposed of bankrupt savings and loans institutions in the early 1990s, will take over the operations of banks that fail within the next five years. Page 14

Chrysler director quits board: Former Kmart head Joseph Antonini stepped down from the board of US carmaker Chrysler, deciding not to fight for re-election following opposition from major shareholder Kirk Kerkorian. Page 15

Leeson flies to Singapore: Former Barings trader Nick Leeson, blamed for accumulating huge trading losses which led to the collapse of the UK merchant bank, flew from Frankfurt to Singapore to face trial.

Warning on UK gas market: North Sea gas producers were told by the British government to re-open negotiations on "take-or-pay" contracts with British Gas, or risk disrupting the UK gas market. Page 8

Dubinin to head Russian central bank:

Sergei Dubinin (left), the acting finance minister sacked by President Boris Yeltsin last year after the crash of the rouble, was named by parliament as head of the Russian central bank. Mr Dubinin vowed to maintain the tight monetary policies which helped cut the monthly inflation rate from 17.8 per cent in January to 4.7 per cent last month. Page 14

Nestlé named Peter Brabeck as the successor to Helmut Maucher, chief executive for 14 years, ending long-running speculation about who would take over as head of the world's largest food group. Page 15; Lex, Page 14; Results, Page 16

Pakistan in $600m IMF deal: The IMF and Pakistan have reached agreement on a $600m standby loan to improve the country's foreign exchange reserves and restore its financial credibility. Page 6

Europe's 'Asian tiger': Britain was better placed than any other European state to compete with the Asian economies because of its taxation and government spending policies, social security secretary Peter Lilley claimed. Page 9

QE2 cruise compensation offer: Passengers who travelled on an ill-starred cruise aboard the Queen Elizabeth 2 last December are to be offered fresh terms of compensation by Cunard, the vessel's owner. Page 8

S Korean payments disclosed: South Korea's four biggest industrial conglomerates gave 40 per cent of the Won239bn ($310m) collected from business groups by former South Korean President Roh Tae-woo during his 1988-93 term. Page 6

Peres sworn in as Israeli PM: Shimon Peres was sworn in as Israeli prime minister and called for a meeting with Syrian president Hafez al Assad over differences blocking a peace accord. Page 5

Middle East quake kills 10: An earthquake measuring 5.7 to 7.2 on the Richter scale shook the Middle East from Lebanon to the borders of Sudan, causing 10 deaths. Page 5

Blow for Banco Nacional investors: Shareholders in Brazil's Banco Nacional, bought by Unibanco, may see no return on their investments after legal safeguards protecting their interests were withdrawn. Page 18

Opec extends production freeze: Opec ministers agreed to freeze current oil output quotas, set in 1993, for six months from January 1. The extension into a third year is designed to defend weak oil prices, now below $17 per barrel compared with an OPEC target of $21.

New date for Clinton's Japanese visit: US President Bill Clinton may make a visit to Japan as early as January to replace the one he was forced to cancel abruptly this month, the White House said.

West guilty of 10 murders: British housewife Rosemary West was found guilty of killing 10 women and girls who were found dismembered and buried at her home in Gloucester, west England. West, 41, was sentenced to life imprisonment for each of the 10 murders, which included one of her daughters and a stepdaughter.

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,047.39	(+23.84)
NASDAQ Composite	1,024.21	(-0.78)
Europe and Far East		
CAC40	1,875.47	(+2.54)
DAX	2,193.25	(-11.81)
FT-SE 100	3,632.4	(+28.3)
Nikkei	18,239.84	(-144.48)

US LUNCHTIME RATES

Federal Funds	5⅞%
3-mth Treas Bills: Yld	5.502%
Long Bond	107$\frac{11}{32}$
Yield	6.275%

OTHER RATES

UK: 3-mo Interbank	6$\frac{11}{16}$%	(same)
UK: 10 yr Gilt	105½	(105$\frac{9}{32}$)
France: 10 yr OAT	105.41	(105.15)
Germany: 10 yr Bund	101.43	(101.12)
Japan: 10 yr JGB	113.601	(112.961)

NORTH SEA OIL (Argus)

Brent 15-day Jan	$18.82	(16.705)

GOLD

New York: Comex		
Dec	$382.1	(385.4)
London:		
close	$384.95	(386.5)

DOLLAR

New York: lunchtime		
£	1.554	
DM	1.40865	
FFr	4.8595	
SFr	1.1366	
Y	100.75	
London:		
£	1.5613	(1.559)
DM	1.4085	(1.4)
FFr	4.8591	(4.855)
SFr	1.1365	(1.1376)
Y	101.03	(101.355)

STERLING

DM	2.1991	(2.1949)
Tokyo $ close:	Y 101.45	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Le110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk60
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils625	Portugal (mainland)	Es230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L60,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

European Commission optimistic on move towards single currency

Eight states 'on course' for Emu

By Lionel Barber in Brussels and Andrew Fisher in Frankfurt

The European Commission, in an upbeat assessment of the prospects for a single currency, yesterday said that eight countries, including Britain, France, and Germany, were on course to meet the Maastricht treaty's criteria for monetary union at the end of 1997.

But the optimism in Brussels contrasted with a more sober verdict on member states from the Frankfurt-based European Monetary Institute, the forerunner of the European Central Bank, which said that inadequate progress has been made this year.

The Commission, which also released its autumn report on the EU economy, said that the recovery has lost "considerable" steam. Forecast growth this year was revised down to 2.7 per cent from 3.1 per cent, while growth of 2.6 per cent is expected next year.

Mr Yves-Thibault de Silguy, economic and monetary affairs commissioner, suggested that economic fundamentals were in place for sustained growth. He said reductions in deficits was necessary independent of the goal of monetary union, but it was also "the key to monetary union."

The EMI report on monetary union called for firm action to reduce budget deficits. It warned that most of the 15 EU member states would have to do significantly better to meet the Maastricht treaty's criteria for Emu. Progress toward the economic "convergence" necessary for monetary union was "insufficient" in 1995, the EMI said.

Only three countries – Germany, Ireland, and Luxembourg – meet all the Maastricht targets on inflation, interest rates, budget deficits and debt. But the Commission said the number would rise significantly assuming that member states continued or made extra efforts toward fiscal consolidation. It said that three more countries will meet the budget deficit target of 3 per cent of GDP next year: Denmark, the Netherlands and Finland. In 1997, France and Britain are expected to meet the deficit criteria.

The Commission forecast an average annual rate of inflation for the EU at 3 per cent in 1996 and only 2.75 per cent in 1997. The picture on unemployment would also brighten through the creation of 4m jobs in 1996/97 and a 2.2m reduction in the number of job-seekers.

This would cut the EU-wide unemployment rate from its peak of 11.3 per cent in 1994 to a likely 9.8 per cent in 1997, the Commission said. Despite this year's slowdown in growth and a modest start in 1996, the Commission said that output would accelerate in 1996 to a rate of around 3 per cent during the year – the result of strong exports, buoyant investment and a pick-up in private consumption, helped by rising employment and a moderate increase in wages.

The pause in the recovery this year was due to the exchange rate turmoil last spring and an end to stockbuilding, the Commission said. However, it warned that if investors continued a "wait-and-see" attitude because of uncertainty about member states' budgetary policies, "this could generate a self-reinforcing spiral of weak sentiment."

Betting on Emu runners .... Page 2
Lex .... Page 14

Granada launches $5.2bn bid for Forte hotel group

By Scheherazade Daneshkhu and Raymond Snoddy in London

Granada Group, the UK television and leisure company, yesterday launched a £3.28bn ($5.18bn) hostile takeover bid for Forte, the hotel and catering group, in one of the biggest potential deals so far this decade.

If the bid, which was immediately rejected, succeeds, it would turn Granada into a major force the UK hotel and catering market and possibly lead to the disposal of some of the world's most famous hotels. It would also mark the end of family ownership of a group created by Lord Forte in the 1930s.

Granada, which has struck at a time when Forte has restructured its management and is in the process of consolidating its business, made clear it had little interest in what it called Forte's "trophy" hotels. It would, for example, plan to sell Forte's 68 per cent stake in London's Savoy and a number of other exclusive hotels.

Overall Granada estimates initial disposals, including Forte's motorway service areas which would be sold for monopoly reasons, would total £500m.

At the moment Granada has 1,300 beds, mainly in budget motorway lodges, compared with Forte's 100,000 beds.

Yesterday Mr Gerry Robinson, chairman designate of Granada, said Forte was in a sector connected with his group's existing businesses, was a worthwhile size "and it offers significant scope for performance improvement".

Granada attacked Forte for the confused marketing of its hotel brands, which it said were tired and not properly supported.

Last night Sir Rocco Forte, chairman and chief executive of the hotel group, said Mr Robinson's proposed plans for Forte amounted to little more than marketing jargon.

"He doesn't have any brands to market, yet overnight he's going to put up rates at Posthouse [the Forte hotel chain]. He's potty," he said.

Strongly advising shareholders to reject the offer, Forte said it totally failed to recognise the company's value.

The offer is being made on the basis of four new Granada shares and £23.25 in cash for every 15 Forte shares. There is also a fully underwritten cash alternative of 321.67p per Forte share.

Granada's closing share price of 649p, excluding a 7.9p dividend, valued Forte shares at 326p and the offer at £3.28bn.

The bid, involves the largest issue of shares underwritten for cash in the UK since the "Big Bang" deregulation of the City in

Continued on Page 14
More than a family affair, Page 13; Granada makes landmark issue, Page 20; Lex, Page 14

Bosnian president Alija Izetbegovic passes a guard of honour on his return to his capital of Sarajevo yesterday after the peace deal hammered out in the US on Tuesday. The 70 year old Mr Izetbegovic can be a difficult negotiator, but – under pressure from his American friends – he made his main concession and agreed to halt the war. Report, Page 3 Picture: Reuters

Reed Elsevier raises $1.17bn on back of newspaper sales

By Christopher Price in London

Reed Elsevier, the Anglo-Dutch publishing group, yesterday raised £740m ($1.17bn) through a series of disposals including the sale of Nederlandse Dagbladunie, publisher of two of the Netherlands' national daily newspapers.

PCM Uitgevers is paying Fl 865m ($558m) for Dagbladunie, whose publications include Algemeen Dagblad, the second largest Dutch newspaper with a daily circulation of 400,000, and NRC Handelsblad, an upmarket newspaper with a daily circulation of 250,000.

PCM Uitgevers already publishes two national newspapers, Trouw and De Volkskrant. Reed said the purchase would not breach Dutch monopoly rules.

Reed Elsevier is also receiving £189m from three separate deals. Verenigde Nederlandse Uitgeversbedrijven, a publishing group, is buying Brabants Nieuwsblad, a Dutch regional newspaper. De Telegraaf Tijdschriften Groep is buying six Dutch consumer magazines, while KIII Communications Corporation, a US investment group, is purchasing Cahners Publishing of the US.

Reed Elsevier is also selling Reed Regional Newspapers, which owns 128 UK local newspapers, to a management buy-out led by Kohlberg Kravis Roberts, the aggressive Wall Street investment firm best known for the $26bn purchase of RJR Nabisco in 1989. The £205m acquisition of RRN will be the firm's first foray into Europe.

Mr Scott Stuart, a KKR partner who featured in Barbarians at the Gate, the famous account of the Nabisco deal, said the move fitted in with the firm's strategy. "RRN has a great management team and a terrific opportunity to grow the business," he said, adding: "Rationalisation is not even on the radar."

Reed Elsevier said that the disposal of its consumer books business, the remaining asset included in the divestment plan unveiled in July, would probably be completed in February.

Analysts said the proceeds from that deal would probably take Reed Elsevier's proceeds from the divestment programme to close on £1bn, virtually wiping out group debt.

The RRN purchase was put together by Glenisla Group, KKR's London affiliate which was set up 18 months ago by Mr Ian Martin, former deputy chairman of Grand Metropolitan. He said the group was currently developing other deals for KKR, although refused to comment on speculation that Littlewoods, the private retail group, would be among them.

RRN increased first-half operating profits 40 per cent to £11.6m on turnover of £68.5m. Mr Jim Brown, who led the RRN management buy-out team, said he expected full-year profits to be in excess of £20m. Mr Brown said the group's strategy would be to develop the newspapers' role as regional centres of information.

Wu to sell stakes in two Asian projects to lessen debt

By Simon Holberton in Hong Kong

Stakes in two big privately-financed transport projects in south-east Asia are being put up for sale as the developer, Mr Gordon Wu, tries to reduce his company's debt.

Mr Wu, managing director of Hopewell Holdings, the Hong Kong property and infrastructure group, says he will sell up to 35 per cent of the company's "superhighway" in southern China, and up to 40 per cent of its Bangkok mass transit and property venture.

The sales, a response to stock market critics, are designed to cut the company's HK$24bn (US$3.1bn) debt at least in half.

Hopewell's share price has taken a pounding over the past two weeks as uncertainty over the company's near-term prospects led big investors to desert the stock. Mr Wu denied the company was in any difficulties.

"If [analysts] want to look for bankruptcy proceedings they will be disappointed," he said. "We have good cash flow."

Mr Wu acknowledged, however, that Hopewell's gearing at 64 per cent was too high.

Analysts gave a cautious welcome to news of the restructuring. "He is doing what people thought he should be doing," said Mr David Barden, of Baring Securities. "The only question now is one of valuation, given his situation."

On the basis of the sale to Kanematsu of Japan last year of 2.5 per cent of the road in south China, Mr Wu could expect to raise between HK$9.5bn and HK$11.5bn. However, on Mr Barden's calculation of net assets, the sale might raise only HK$2bn.

Hopewell's indebtedness to Hongkong Bank is set to rise by HK$2bn to HK$9bn early next month when Mr Wu borrows to complete the purchase of Consolidated Electric Power Asia (Cepa), his 56 per cent subsidiary.

Cepa will then have cash of more than HK$7bn enabling it to invest in Asian power ventures.

Embattled Wu keeps marketing confidence, Page 17

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NEWS: EUROPE

The EMI has stern words for the slow pace of progress, writes **Andrew Fisher** in Frankfurt

No EU surge to converge

The title – "Progress Towards Convergence" – is optimistic but the content is coldly realistic. Achieving European economic and monetary union will be a hard slog, according to the conclusions of the first full report by the European Monetary Institute on progress towards Emu.

As the forerunner of the planned European central bank, the EMI is charged with helping lay the foundations for Emu and monitoring countries' economic performance. Yesterday's report covers both tasks, but is mainly devoted to assessing whether countries are fulfilling the Emu criteria in the Maastricht treaty.

The EMI's verdict is hardly encouraging. It calls progress towards convergence "insufficient", saying public finances need firm action. Most European Union countries will have to do significantly better – "at present, there does not exist a majority of EU member states which satisfy all the criteria".

As well as describing performance under the Maastricht inflation, debt, deficit, interest rate and exchange rate criteria, the report also deals with monetary policy options; the EMI will study these in full next year. It says reserve requirements (obliging banks to deposit funds with central banks) "could figure" among policy instruments for the European central bank, a view in line with the Bundesbank but not the Bank of England.

Its blunt language on convergence, though diplomatically presented, will also please the German central bank. The EMI welcomes progress on inflation, though noting "warning signals" that this may not continue, and the coalescence of long-term interest rates. But on the debt and budget side it says sternly: "Much less encouraging is the fact that public finances in most member states continue to be far from satisfactory."

The results of fiscal policies are "disappointing", it says, recalling that the EU Council had said in June that only Germany, Ireland and Luxembourg did not have excessive deficit and debt positions. Ireland is in this category because its high public debt ratio to gross domestic product is falling. But only Germany and Luxembourg have both deficit and debt ratios below the respective 3 per cent and 60 per cent of gross domestic product laid down in the treaty.

Although the EMI does not say so, its report indicates a fairly small initial Emu membership. Germany and Luxembourg would qualify, with France – without which Emu is widely regarded as a non-starter – probably struggling on the deficit side. Italy's performance on inflation, indebtedness and fiscal deficits places it well outside the criteria.

The Netherlands, Belgium and Austria are generally thought likely to participate.

The treaty allows scope for interpretation if countries are deemed to be moving consistently towards the Maastricht standards. But politicians and central bankers – especially in Germany, where scepticism about Emu is high – have tended to stress the need for a strict reading of the criteria to reinforce Emu's credibility.

With monetary union due to start in 1999, the EMI says EU countries will have to take "determined action" on public finances. The fiscal criteria, by continuing to apply after Emu's start, will be "a cornerstone for macro-economic stability once the European currency area is in place".

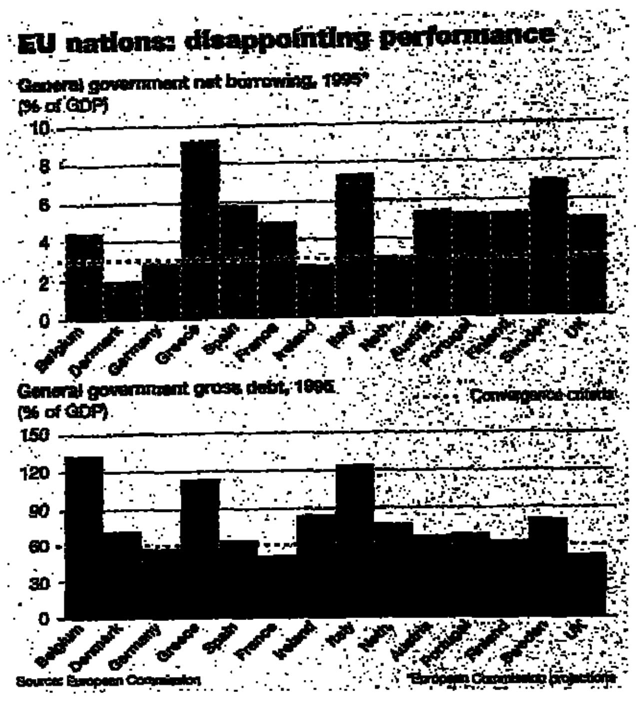
Governments should not postpone structural measures, but use current economic conditions as an important opportunity to strengthen public finances. "The reference value for fiscal deficits of 3 per cent of GDP should be regarded as a ceiling which applies at all times over the entire economic cycle."

This accords with the tough line of Mr Theo Waigel, Germany's finance minister, who wants Emu members breaching the deficit criteria to be subject to fines. France, which meets the debt but not the budget criteria, has endorsed this.

The EMI says there are compelling reasons for further fiscal action by member states which goes beyond the aim of meeting the criteria. Interest rates would fall, funds be released for productive investment and confidence increased.

"Conversely, not acting now in a determined manner could entail a further rise in debt ratios, a continued increase in interest payments and thereby risk a snowball effect, which would further add to the public deficit and thus to debt."

Lex, Page 14



Germans drag feet on single market

By Emma Tucker in Brussels

Very few European Union states can be proud of their records at implementing and abiding by single market rules, according to Mr Mario Monti, the internal market commissioner.

Backed by tables showing the unsatisfactory progress made by many member states in adopting single market measures, Mr Monti said yesterday: "We do not yet have a properly working single market."

Germany has most legal actions pending against it for failing to comply with EU single market legislation. Only Belgium comes close, with seven cases opened by the commission against it compared with Germany's 12.

Germany has dragged its feet most noticeably in public procurement, where eight pieces of legislation have not yet been put on to the national statute books. The delay has provoked complaints from other member states who want to participate in Germany's lucrative market for public contracts.

Belgium also falls down on public procurement – four cases have been opened against it – and also faces legal action over outstanding obstacles for pharmacist businesses seeking to set up in Belgium.

Denmark has the most glowing record. It has implemented 99.1 per cent of single market measures and has no court cases pending against it.

"Denmark is very careful and very diligent," said a Commission official. Brussels hopes that by regularly publishing such performance tables it will shame member states into sharpening up their acts.

This is preferable to the opening of court action which takes an embarrassingly long time to complete. It can take years for a legal action taken by the Commission against a member state to reach the European Court of Justice, and once it has it is not uncommon to wait 18 months for a verdict.

Other member states with clean records as far as legal actions are concerned currently include Luxembourg, Sweden, Finland and Austria. However, Austria has the worst record for implementing single market measures not just of the three EU newcomers but of all 15 member states.

Brussels places bets on Emu runners

By Lionel Barber in Brussels

The European Commission's economic outlook for 1995-97, released yesterday, combines orthodox forecasting with political cheerleading.

In addition to its predictions on inflation, growth, budget deficits, and government debt in 1995 and 1996, it published a "scenario" for 1997.

This is the first time it has ventured a view on the likely economic performance of member states in the year before the planned decision on whether to proceed with monetary union.

Mr Yves-Thibault de Silguy, monetary affairs commissioner, was careful to draw a distinction yesterday between a "forecast" and a "scenario" which is based on an extrapolation of expected trends in 1996. His goal was to send a signal to member states as to how close they are to the Maastricht treaty's targets for Emu, he said.

The French commissioner hopes to use the scenario as an incentive to member states to stay the course for Emu, but also to encourage laggards to take further action, particularly in the consolidation of public finances which remains the biggest obstacle to a broad-based Emu.

The Commission underlines that in 1995 only three countries – Germany, Luxembourg, and Ireland – meet the Maastricht treaty budget deficit target of 3 per cent of GDP. "The budgetary position has in general improved, but not at a sufficient pace," says a parallel Commission report on economic convergence released yesterday.

Next year, Brussels predicts three more countries will qualify: Denmark, the Netherlands and Finland. On government debt, the other big hurdle, four countries are forecast to meet the target of 60 per cent of GDP: France, Germany, Luxembourg, and the UK.

The speed of debt reduction in Ireland between 1993 and 1996 (16 percentage points) would almost certainly qualify for Emu under Maastricht's provision for "substantial and continuous" movement downwards in the stock of government debt. Denmark (8 points) and Belgium (5 points) could also make a strong case, according to the forecasts.

In 1997, France and Britain are expected to meet the budget deficit criteria, making a majority of member states. Among the remaining seven, Sweden, Spain, and Belgium would only have to reduce their budget deficit by around a half percentage point of GDP to qualify. Larger efforts would be needed in Austria, Portugal, Italy and Greece.

On government debt, the number of qualifying countries remains unchanged at four, though the Commission warns that the debt-to-GDP ratio could rise to 72 per cent in Austria in the absence of further consolidation measures – against the general EU trend of a slight reduction to an average of around 71.25 per cent.

On the basis of these projections, Mr de Silguy expressed confidence that a "significant" number of member states were likely to meet the Emu criteria in late 1997/early 1998. This is when the heads of the 15 EU governments will meet to decide which countries qualify for monetary union.

Ironically, the meeting is due under the presidency of Britain – which has an Emu opt-out.

Gloom gathers about economic outlook

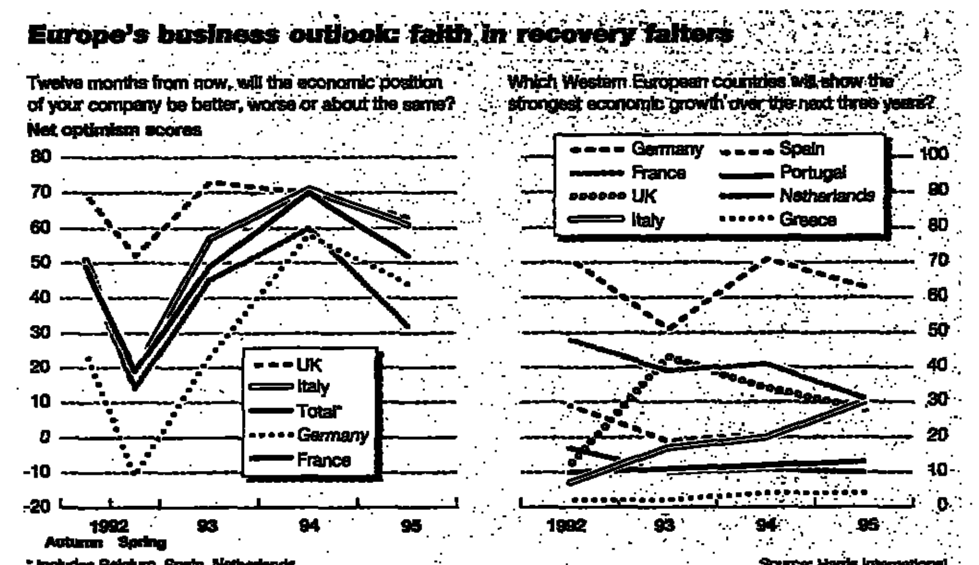
A new survey finds much less optimism in European business, writes **Peter Martin**

Top European managers are much less optimistic about the economic outlook than they were a year ago, according to a survey* by United Parcel Services. They are also deeply sceptical about enlargement of the European Union, and about the help given them by the European Commission.

The survey was carried out by Harris International in September and October among 1,473 directors of big European companies.

It asked business people whether they expected the economic position of their companies to be better or worse in a year. The net optimism score ("better" minus "worse") has fallen from last year's high of plus 70 to plus 52 in 1995. This is roughly the same level as reported in 1993, and suggests, the authors say, that "the post-recession recovery is not proving as vigorous as was hoped". Managers in the UK are the most optimistic in Europe, with a net optimism score of plus 63. France (plus 32) and Germany (plus 44) are the least optimistic.

Asked which western European countries would show the strongest economic growth over the next three years, 63 per cent of managers singled out Germany, well ahead of the next highest, France, on 31 per cent. However, German managers are noticeably more pessimistic about their country's economic outlook than those in other countries. Only 48 per cent of German managers expect their country's economy to grow fastest.



Managers were also asked whether they expected to increase or decrease their companies' workforces. There was little change from the results to the same question a year ago. Subtracting "decrease" answers from "increase" replies gave a net figure of minus 10.

The outlook is gloomiest in Germany, where only 14 per cent of companies expect rising workforces over the next year, and a net decrease of minus 52 is forecast. German business leaders have made no secret in recent months of their concern about the high cost of labour, and a number of companies have shifted production overseas to avoid it.

This emphasis on competitiveness shows up in the survey. Managers were asked whether the EU should give priority to reducing unemployment or to increasing the competitiveness of European industries. Overall, 68 per cent plumped for competitiveness, but there was a marked difference in response. In the UK, 81 per cent chose competitiveness, but in France the figure was only 55 per cent.

The managers were asked whether the EU should broaden its membership to include east European countries, or whether it should try to make the existing single market work better. Overall, only 21 per cent preferred enlargement. An overwhelming majority – 74 per cent – wish to work on getting the present system right first.

One way in which the present EU set-up does not work as well as managers would wish is the role of the European Commission. Asked if the Commission helped companies to compete in global markets, only 20 per cent said Yes. Hostility to the Commission was strongest in the UK, where 45 per cent accuse it of hindering companies, and in Germany on 33 per cent.

Managers overwhelmingly prefer to concentrate on their core businesses, rather than to diversify; overall, 70 per cent of those surveyed choose the former, compared with 29 per cent preferring diversification. This policy of conservatism is not reflected in companies' geographical ambitions: 76 per cent consider that developing new foreign markets is more important than concentrating on home markets.

On balance, companies emphasise cost control rather than investment expansion; they prefer strategic alliances to acquisitions; and they report a strong trend towards outsourcing.

Asked which EU country is the easiest to do business with, – and told they could not vote for their own countries – managers mostly chose Germany (25 per cent) with France (17 per cent) and the UK (10 per cent) in second and third place. Only Spain defied this trend, putting France first.

German managers preferred France (21 per cent) followed by Austria (15) and the Netherlands (14). Germany also comes top of the voting for quality of executives. Asked which country had the hardest-working and best-educated business people, the managers surveyed put Germany first and the rest nowhere.

British managers are seen as the most international in outlook, however. Italian managers easily won the title of "least trustworthy".

*UPS European Business Monitor, Wave V. Harris Research Centre, Holbrooke House, Holbrooke Place, 34-38 Hill Rise, Richmond, Surrey, TW10 6UA, UK

EUROPEAN NEWS DIGEST

Poles queue for share coupons

Poles queued yesterday to obtain coupons entitling them to shares in 15 investment funds in the country's long delayed mass privatisation. The scheme is to put more than 400 state companies into the private sector.

Shares in 414 state enterprises have been handed to newly established investment funds run by mixed local and foreign-owned management companies. These include merchant banks such as Kleinwort Benson and Barclays de Zoete Wedd. The funds will eventually be listed on the Warsaw stock exchange, allowing for a market valuation of the coupons.

Each of Poland's 28m adults is entitled to one coupon which is being sold at a nominal price of 20 zlotys ($8). The state-owned PKO BP savings bank – the distributing agent – was yesterday offering 32 zlotys a coupon to those who wanted to sell them back. A survey last month found 28 per cent of adult Poles, about 7m people, planned to buy their coupon. They have a year to do so. *Christopher Bobinski, Warsaw*

Brussels mounts raids on Digital

European Commission officials raided EU companies for the second time in a week as part of a campaign to clamp down on illegal anti-competitive behaviour.

Three subsidiaries of Digital Equipment Corporation, the US computer company, were investigated on Tuesday by the Commission's competition authorities, following complaints from British-based competitors that the subsidiaries were abusing the market for software maintenance. The three subsidiaries are located in the UK, the Netherlands and Germany.

A Commission official confirmed that the complaints centred on allegations that the Digital Equipment subsidiaries were tying hardware maintenance contracts to software maintenance contracts, and making it difficult for companies to get software maintenance unless they bought hardware from Digital Equipment. A third allegation was that Digital was using discriminatory discounting practices to squeeze its rivals. *Emma Tucker, Brussels*

Germans oppose energy plans

Germany is set to oppose European Union proposals for energy liberalisation on grounds that they retain monopolistic structures and will not guarantee public supply, the economics committee of the Bundestag (lower house of parliament) concluded yesterday. In a rare show of consensus, the main political parties argued that proposals – due to be presented by Spain next month – were too restrictive.

Spain, which has the support of France, Italy and the Benelux countries, favours a "single buyer" model. But Germany's governing Christian Democrats and the country's economics ministry believe this would allow power companies to preserve their monopoly on imports and exports, the present system in Germany. Mr Günter Rexrodt, the economics minister, favours third party access which would allow outsiders access to the electricity grids and gas networks of member states. *Judy Dempsey, Berlin*

Economy forecast to stagnate

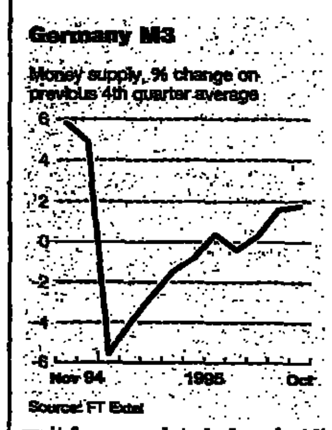
The German economy is likely to stagnate in the present quarter with activity in west Germany declining slightly, according to the Berlin-based German Institute for Economic Research (DIW).

In its latest report, the DIW said a Bundesbank interest rate cut was already overdue. While the central bank yesterday trimmed its securities repurchase, or repo, rate by 0.01 percentage points to 3.97 per cent, the last significant Bundesbank rate cuts were late in August when the important discount and lombard rates were reduced by half a percentage point each to 3.5 per cent and 5.5 per cent respectively.

The institute said that Germany's gross domestic product had grown only slightly in real seasonally adjusted terms between the second and third quarters. Real GDP in the third quarter was 1.7 per cent up on the same period of 1994, it added. *Peter Norman, Bonn*

ECONOMIC WATCH

German M3 hints at rate cut



Speculation about a further cut in German interest rates was renewed yesterday after the Bundesbank said money supply growth last month remained well below the target range and bank lending had weakened. M3 rose at an annualised rate of 1.8 per cent against 1.6 per cent in September. The 1995 target range is 4-6 per cent. "Today's M3 report has improved the chances for a further easing of monetary policy in due course," said Mr Thomas Meyer, economist at Goldman Sachs. But the Bundesbank may want to wait for more data before deciding on a further cut in the discount rate, now 3.5 per cent. Mr Stephen King, economist at James Capel, said the M3 news "provides the green light for a further cut in the German discount rate". Weak economic data meant this could happen as early as the next Bundesbank meeting on November 30. He expected a half-point cut to 3 per cent. *Andrew Fisher, Frankfurt*

■ Dutch third-quarter gross domestic product grew 2.3 per cent year-on-year, according to initial estimates by the Central Bureau for Statistics.

■ France's consumer price index rose 0.1 per cent in October compared with September, taking the year-on-year inflation rate to 1.8 per cent, the government said.

■ Sweden had a trade surplus of SKr8.6bn (£844m) in October compared with a surplus of SKr6.2bn a year earlier.

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French education minister unveils plans for university spending

Bayrou rules out entry exams

By Andrew Jack in Paris

France's education minister yesterday ruled out introducing competitive entrance exams for the country's overcrowded universities and announced the appointment of negotiators to hold direct discussions with students and staff in all 90 institutions.

The day after tens of thousands of students and teachers took to the streets in Paris and other large cities to demand more funding, Mr Françoise Bayrou unveiled his intention to spend an additional FFr200m ($41m) a year over the next four years on higher education.

He also promised the creation of technical training colleges over the next two years. He said he wanted to create a parliamentary committee to examine the issue of university financing in the future, and would introduce measures to ensure additional money was spent in constructive ways.

However, Mr Bayrou offered little by way of the immediate initiatives hoped for in his "emergency plan" prepared over the past few weeks, promising increases in expenditure including money for about 1,000 new teachers that had already been allocated for the 1996 budget.

His announcement came after consultations with the heads of universities after several weeks in which there has been growing student unrest and a growing number of campuses going on strike.

The education minister stressed that students "must understand the difficulties for the nation" including the huge growth in their numbers, but that they "merit a response" to their concerns.

He said that France had seen the number of students entering higher education multiply ten-fold in a single generation and three times in the past 10 years. This has been accompanied by a sharp rise in the number of students who drop out after their first year.

But he stressed his opposition to calls to introduce a selection process. "I say clearly that I will not be the minister who closes the door on universities for young people," he said.

Instead, he pledged the swift launch of a training programme for secondary school students to help them decide whether to enroll for university and what subjects to study.

His proposals met mixed reactions from students and teachers yesterday afternoon. Students at Paul Sabatier university in Toulouse voted to continue their strike, calling Mr Bayrou's plan "derisory, ridiculous and too vague". Teachers at the institution also said they would continue industrial action.

However, Fage, the largest student body which is politically moderate, broadly welcomed his ideas and said it would not associate itself with future strikes. "The problems are too fundamental to be resolved by demonstrations, the aims of which are becoming more and more political," it said.

Prospects for EU-Turkey customs deal brighten

By Simon Kuper in London, Michael Lindemann in Bonn and John Barham in Ankara

The prospects for approval of a customs agreement between Turkey and the European Union brightened yesterday when Mrs Tansu Çiller, the Turkish prime minister, said that Mr Tony Blair, leader of the UK's opposition Labour party, had signalled his support.

The Labour party is the largest contingent in the European Parliament's socialist bloc which had been seen as the main obstacle to ratification of the accord. Mrs Çiller, who is visiting London, said after meeting Mr Blair that he had promised to ask Labour's 62 MEPs to vote for the customs union, but warned he could not guarantee their support.

Mr Blair's office refused to confirm he had taken a position. But a senior official said the party had recently decided to back the customs union. Mrs Çiller also met Mr John Major, the British prime minister.

The European Parliament is expected to consider ratification on December 13, but approval is in the balance because of misgivings over Turkey's poor human rights record. The parliament has linked ratification to improved respect for human rights and democratic reforms.

The Socialist bloc, the European Parliament's largest group with one-third of its 626 seats, will be decisive in approving or rejecting customs union. A spokesman for Ms Pauline Green, the bloc's leader, said: "I would not say [Mr Blair's] would be agenda-setting views." However, Mr Wayne David, leader of the Labour MEPs, said: "I think it increases the chances of a positive vote."

Mr Hervé de Charette, the French foreign minister, said at a meeting in Bonn of EU foreign ministers yesterday that it was a "dangerous illusion" to think the European parliament could postpone the customs union with Turkey in December and return to it once human rights and other issues had been solved.

Mrs Çiller has said repeatedly that rejection would benefit only the fundamentalist Refah party.

NEWS: BOSNIA PEACE AGREEMENT

Nato's 60,000 reasons for hope

Bruce Clark reports on a force being deployed to avert failure

The 60,000-strong force which Nato is deploying in Bosnia has been billed by its US commanders as a robust body which will avoid all the pitfalls that turned the United Nations peacekeepers into a byword for muddle.

If the US makes good on its promise to provide 20,000 ground troops, the new force will certainly be a creature with much sharper teeth than the blue-helmets who were derided by some Bosnians as the UN *self*-protection force.

Compared with the UN, the new force will have far more armour at its disposal to retaliate if it comes under attack, and it will be backed by the full panoply of US military intelligence. While UN officers squabbled endlessly with the Nato commanders who were supposed to provide them with air cover, the co-ordination between ground and air forces should in theory be much smoother when Nato is in charge of both.

The initial tasks, however, will be broadly familiar to anybody who has served in Bosnia with the UN. For all the high-minded talk about reunifying Bosnia as a multi-ethnic state, the Nato forces could initially find themselves consolidating internal boundaries as they establish a "zone of separation" 4km wide between the Serb entity which will take up 49 per cent of Bosnia's territory, and the Moslem-Croat federation in the remainder.

This zone is to be established within the first fortnight or so of the force's arrival. The Nato mission should begin within a few days of the Paris peace conference, scheduled for mid-December, putting a formal seal on the accords reached in Dayton, Ohio.

Nato planners measure their time in days after the eagerly awaited "transfer of authority" – the moment when the UN Security Council resolves to wind down the UN peacekeeping effort and install Nato as the co-ordinator of international forces on the ground.

At this point, the British and French soldiers serving with the UN are expected to "change their hats" and re-submit themselves to the authority of the Atlantic alliance – in the persons of General George Joulwan, the US commander in Europe, and his deputy, Admiral Leighton Smith.

Forty-five days after the transfer of authority – any forces which find themselves on the "wrong side" of the zone of separation should have been redeployed in their proper place under the watchful eye of Nato troops. This implies a substantial retreat by Serb forces, particularly in the Sarajevo area, and small retreats by the Croats. It requires a huge leap of faith to imagine the process will go smoothly.

However, Nato has pledged that for at least another 45 days after this withdrawal of forces it will not allow any redeployment in disputed areas. In other words, the Bosnian government army would be restrained from rushing in to wreak revenge on the heels of a retreat by the Serbs.

But it remains an open question what will happen to civilian populations on the "wrong side" of the new dividing line. In all recent Bosnian fighting, military retreats have led almost automatically to panic-stricken flights by civilians.

If the Bosnian Serb forces are somehow induced to pull out of the environs of Sarajevo, they will no doubt try their best to persuade local civilians that they would be subjected to a campaign of terror if they submit themselves to the authority of Bosnia's Moslem-led government. The force's mandate does not provide for an active role in ensuring that refugees are allowed to return to their homes – but it does say that Nato forces can intervene in situations where the return of refugees has been agreed but is disrupted by some violent intervention.

Mr Carl Bildt, the European Union mediator, has suggested optimistically that many fighters in Bosnia's rival armies are simply armed peasants who will return to their farms once the fighting dies down.

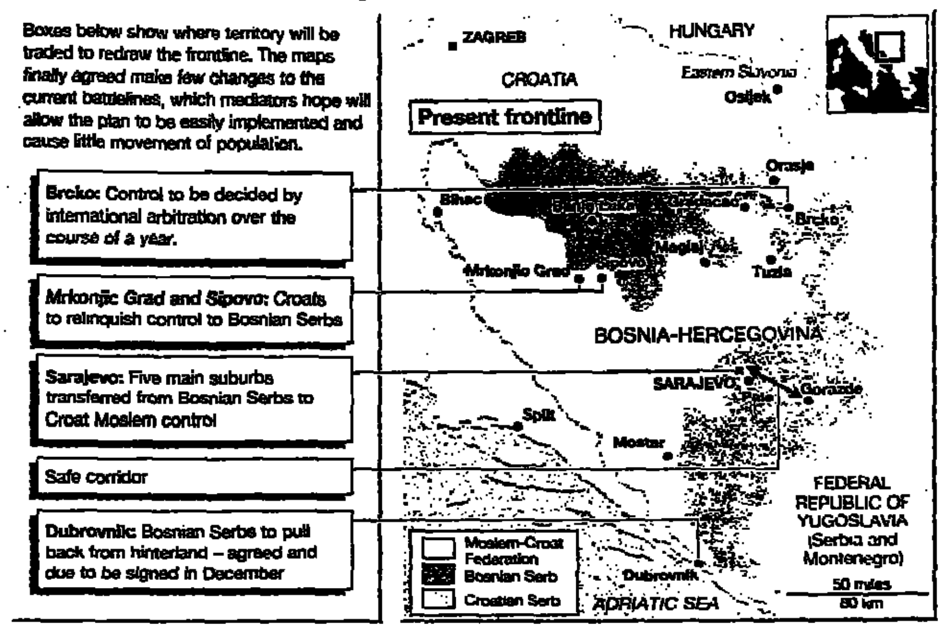
That was more true in the early stages of the war – but the massive population exchanges engendered by three years of fighting have left many rural Bosnians with no farms to return to – and what the Americans would call a considerable attitude problem.

The whole Nato mission is based on the assumption that the peace plan will enjoy "strategic consent" – in other words the consent of the leaders of all the parties to the conflict. The Nato force will be prepared to cope with local ceasefire violations but not with a generalised attack on its soldiers by any party.

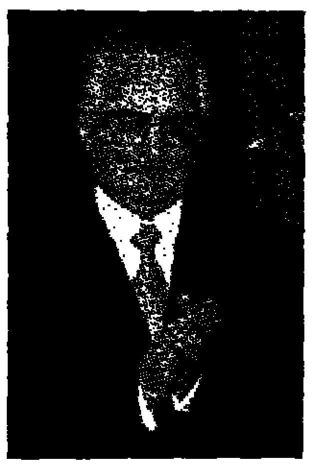
The unanswered question is whether strategic consent really exists in the case of the Serbs. President Slobodan Milosevic has wholeheartedly accepted the peace plan, but the Bosnian Serb leaders – even relatively moderate figures who do not face indictments for war crimes – have denounced the map agreed in Dayton as a sell-out.

It could be very imprudent of the Serbs to offer serious resistance to the Ifor, given that the most likely result would be a swift, fighting withdrawal followed by punitive action from Nato aircraft. But nothing in the Serbs' behaviour to date would suggest that they are incapable of such foolishness.

Creating a zone for Nato protection



TUDJMAN



To victor the spoils

Croatian President Franjo Tudjman has emerged as the big winner of the battle for the spoils of Yugoslavia.

With the Dayton agreement between Croatia, Bosnia and Serbia, he came the closest of the three leaders of the warring states to realising his version of the nationalist programmes which brought them all to power in elections in 1990 on the eve of Yugoslavia's violent disintegration.

The Croatia of Mr Tudjman's dreams was an ethnically pure, enlarged state. He has achieved this.

Most of Croatia's 700,000 Serbs have left the country. After losing nearly a third of Croatia to the Serbs at the beginning of the war, he this year seized back most of the land. The last occupied area will be returned to Zagreb by 1997 at the latest.

He has also succeeded in extending Croatia's frontiers, in effect controlling a quarter of Bosnia. At the signing ceremony, the pompous Mr Tudjman could not resist reminding the world that he got what he wanted by announcing that a few years ago he wrote to President Bill Clinton calling for the despatch of Nato troops to bring peace.

With help from his American and German friends, Mr Tudjman has out-manoeuvred his erstwhile rival, and sometime co-conspirator, President Slobodan Milosevic of Serbia.

MILOSEVIC

Winner in own mind

Mr Slobodan Milosevic, the Serbian president who is seen as the chief instigator of the wars in Yugoslavia, believes that he too has won.

With the agreement, Mr Milosevic secured the one concession he has consistently sought for two years: the suspension of UN sanctions against Belgrade.

Claiming to mediators that he has given up much, it is more likely that Mr Milosevic is confident that the deal will cement his hold over the remnants of Yugoslavia, now comprised of Serbia and Montenegro.

Coming to power by whipping up Serb nationalism in 1987, the calculating Mr Milosevic has made a complete turn round, formally abandoning his drive to create a Greater Serbia on the ruins of former Yugoslavia.

If Mr Milosevic is a winner, however, the Serbs are not. With the destruction of the former Yugoslavia the Serbs lost what they already had in the federation of six republics – a country where they could live together.

Serbia may have escaped the ravages of war, but sanctions and footing the bill for the war have impoverished the republic. In spite of this, Mr Milosevic is not at risk of a political challenge. But he must fear that soon the Serbs may ask whether 48.6 per cent of Bosnia was rather a small reward for their sacrifices.

IZETBEGOVIC

Success at high cost

President Alija Izetbegovic of Bosnia-Hercegovina perfunctorily shook hands with US secretary of state Warren Christopher, barely looking him in the eyes.

His agonising indecision in Dayton frustrated US mediators, who for the first time understood what their European partners had come to realise previously.

Mr Izetbegovic can be a difficult negotiator. But it was a painful step for him to take. The agreement meant formally renouncing his dream of a unified Bosnia under his government's control.

Yet under pressure from his American friends, the 70-year-old Mr Izetbegovic made his main concession and agreed to halt the war.

The paradox is, this time, under the protection of the US, Bosnia's Moslems got even less land than in previous deals brokered by European or UN envoys.

With Serbia and Croatia eager for peace, Mr Izetbegovic had little choice but to endorse the agreement or risk losing US support and being left to the whim of his expansionist neighbours.

Mr Izetbegovic will remain the undisputed leader of Bosnia's Moslems, but he may consider whether he should have signed a peace agreement earlier and limited the suffering of his citizens.

Sarajevo over the next few months will be the venue of considerable political intrigue.

KARADZIC

No longer a player

The ghost of Mr Radovan Karadzic, the Bosnian Serb leader, did not haunt Dayton. In spite of fears that the Bosnian Serbs might resist the peace plan, Mr Karadzic is politically dead following this week's agreement.

Along with his military commander, General Ratko Mladic, Mr Karadzic has been indicted for war crimes by the International Tribunal. As Mr Richard Holbrooke, assistant secretary of state and chief negotiator, remarked this week: "Their future is not bright."

While Mr Karadzic has so far remained silent, Mr Momcilo Krajisnik, the speaker of the Bosnian Serb assembly and his closest ally, nervously rejected the plan. But in fact, they are almost irrelevant. The maps give the Bosnian government control over all of Sarajevo.

This was the kiss of death from Mr Milosevic, smashing his power base in Pale, the mountain stronghold above Sarajevo, making inevitable the shift of political power to leaders in Banja Luka in the north-west, whom Mr Milosevic has long been grooming as successors to Mr Karadzic and his motley crew.

They may not be extradited to The Hague, but in this world of treachery the fall from grace is likely to be permanent. As one US diplomat quipped, they are likely to disappear, and not just from the political scene.

Profiles by Laura Silber in New York

Brussels gives way in fur trapping row

By Caroline Southey in Brussels

The European Commission yesterday decided to delay a ban on fur imports for 12 months, a move which averts a potentially damaging trade row with the US and Canada but is likely to provoke protests from European animal rights groups.

This is the second time the EU has delayed the import ban and follows threats by Canada and the US to invoke the disputes procedure in the World Trade Organisation as soon as the measures came into force.

The threat of WTO action was one reason for the delay, an EU official said. But fears that the ban could not be properly implemented had also contributed to the Commission's decision. "We believe the best way to safeguard animal welfare is to have worldwide standards that work," he said.

An EU ban on imports of fur from animals caught in leg-hold traps was due to come into effect next January. The ban would have barred fur imports to the EU unless the main producers – Canada, Russia and the US – prohibited the use of the traps or implemented "humane trapping standards" for 13 species.

Mr Jacques Roy, Canadian ambassador to the EU, welcomed the delay, saying it would allow a working group representing Canada, the US, Russia and the EU more time to work out trapping standards.

Mr Roy earlier said General Agreement on Tariffs and Trade findings meant that members could "not use trade measures to enforce domestic environmental policies outside their jurisdiction".

The postponement follows intense lobbying by fur trappers who argued the ban would destroy indigenous communities dependent on the trade. The Canadian fur industry employs 100,000 people, including 80,000 trappers, half of whom are aboriginals. Earlier this month aboriginal Canadian fur trappers visiting Brussels accused the European Union of risking "cultural genocide" with the proposed ban, which Cree Indian Chief Ignace Gull, a part-time trapper, said had been dreamed up without consultation.

Britain, the only member state to oppose any delay in the ban, has been under intense pressure from animal rights groups to make no concessions to the fur trappers. Britain outlawed the use of leg-hold traps in 1950.

Introduction of the import ban has already been delayed since January this year to give fur exporters more time to find an alternative to leg-hold traps.

Japanese cosmetics buyers feel cheated out of luxuries

Emiko Terazono on moves to have import restrictions scrapped

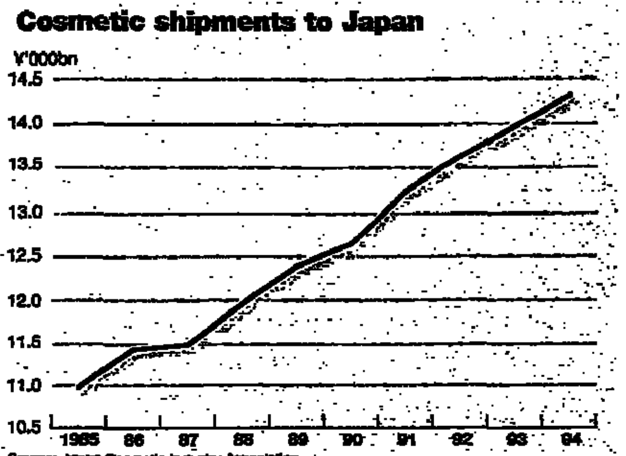
Japan's ministry of health and welfare has invoked the ire of the country's female consumers. A raid by the health authorities earlier this month barred a highly publicised sale of brand name cosmetics such as Chanel and Christian Dior offered by a "parallel" importer at substantial discounts.

A long-standing Japanese drug law demands that importers of foreign cosmetics provide the ministry of health and welfare with a list of any product's ingredients and that the ministry's permit number be labelled on it. This makes it impossible for parallel importers, who undercut licensed importers by offering products obtained from unofficial distribution routes, legally to retail cosmetics because the cosmetic makers will supply such information only to their licensed distributors.

Designers Collezione, a discount retailer based in central Tokyo, had planned to sell 2,000 items of imported luxury brand cosmetics at 30-50 per cent of official Japanese retail prices, but was stopped by health authorities just before the store's grand opening. The crackdown meant more than 200 customers, who had queued all morning for their discount Chanel lipsticks and Calvin Klein creams, had to go home empty-handed.

Some 3,000 angry women have now signed a petition demanding the drug law be abolished.

Cosmetic shipments to Japan



Source: Japan Cosmetic Industry Association

"Many consumers didn't know about the drug law," says a spokesman for Designers Collezione. "We're trying to raise the awareness among them about the meaningless restriction."

The parallel importers and many consumers believe that the drug law has helped widen the price gap of cosmetics sold in Japan and overseas markets. According to a recent study by the ministry of international trade and industry, retail prices for cosmetics in Japan are as much as five times those in the US. For instance, a tube of foundation by Clinique, which can be bought in the US at $12, costs more than Y6,000 ($59) in Japan.

What angers the parallel importers is that foreign cosmetics bought by individual consumers into the country are exempt from the drug law. "If the labelling requirements are based on health concerns, then the government should also ban foreign cosmetics bought by individuals," says Designers Collezione.

The ministry argues that its regulations governing cosmetics imports do not differ from western standards and that the price differentials are created by Japan's distribution system and advertising costs.

Nevertheless, an advisory council of the Japanese government called for deregulation of the drug law earlier this year to help narrow the price gap between the domestic and foreign cosmetics markets.

Foreign manufacturers of luxury brand cosmetics are opposed to any move to scrap the law which sustains their margins and their brand image.

An increase in cheap imported cosmetics would also hurt Japanese cosmetics companies, which are already suffering from the gradual breakdown of their close links with distributors. The cosmetics makers had managed to maintain high prices by enforcing retail prices at their official "chain" retailers. However, earlier this year the Fair Trade Commission, the anti-monopoly watchdog, warned against this, and leading supermarket chains have started to offer big discounts on their products.

The health ministry says it is considering abolishing as early as next year the rule requiring the list of ingredients on the label. It has indicated that it will allow parallel importers to sell foreign cosmetics as long as they can prove that the products are the same as those imported through the official route. The importers complain that the only way to verify that would be through some sort of certification from the manufacturer, which takes the problem back to where it started.

WORLD TRADE NEWS DIGEST

Hyundai in $1bn India venture

Hyundai is to assemble cars in India from 1998 through a $1bn joint venture. The project, announced after a meeting between Hyundai chairman Chung Se-yung and India's prime minister, Mr P V Narasimha Rao, is among investments in India amounting to $3bn by Hyundai, including power transmission and other infrastructure programmes.

South Korea's largest car company next year will begin constructing a plant in southern India with an annual production capacity of 200,000 Accent and Sonata cars by the year 2000. Hyundai will take a 60 per cent stake in the joint venture with an unnamed Indian partner and provide technology transfers, including the manufacture of car components.

Hyundai will be the second Korean car company to set up in India. Daewoo established a $1bn joint venture, DCM Daewoo, which began production earlier this year. *John Burton, Seoul*

Japanese on mission to Europe

Leaders of the Keidanren, the Japanese business federation, yesterday embarked on their first joint European mission in three years to try to bolster confidence in Japan's economy, trade and investment plans. A delegation of 18 senior executives, led by Mr Shoichiro Toyoda, the Keidanren's chairman, will meet officials and politicians in the European Union headquarters, Belgium, Denmark, Germany and Britain. Mr Toyoda said be hoped to reassure investors and trade partners that, despite Japan's economic and financial problems, the economy was on the way to "steady recovery". The Keidanren group will reassure European trade partners that Japanese companies will not favour US imported goods over European ones in response to threats of unilateral sanctions from Washington.

The delegation will also seek to dispel European fears that the Asia Pacific Economic Co-operation forum will seek to exclude foreigners from the trade concessions its 18 members plan to make by 2020. *William Dawkins, Tokyo*

UK backs Russian food venture

Britain's official export credit agency, the export credits guarantee department, will support two loans towards the installation of production lines for dairy-based baby food in Russia. The loans, worth nearly £10m ($15m) each, are being arranged on behalf of Midland Bank for Russia's Vnesheconombank to help finance the lines to be built at Ivanovo and Yekaterinburg.

Design installation and commissioning will be the responsibility of APV-UK, part of the APV food process engineering group.

The contracts form part of a programme to improve the health of the nation's babies. *Foreign Staff, London*

Taiwanese invest in China

■ China Motor, one of Taiwan's two biggest carmakers, may invest $30m to manufacture cars in China's southern province of Fujian. The company is applying to the Investment Commission and discussions are under way with Chinese counterparts. China Motor hopes to build two plants in Fujian – each producing about 150,000 cars a year. *Reuter, Taipei*

■ Taiwan food giant President Enterprise plans to set up a wholesale chain store in Tianjin, near Beijing, with France's Carrefour group. The project is under review by the Chinese authorities. President is one of the island's leading investors in China, with investment exceeding $150m. *Reuter, Taipei*

Japanese pull out the stops for Windows 95

By Michiyo Nakamoto in Tokyo

In Tokyo's Akihabara district, where electronics retailers line the streets, attendants at Sofmap, a major computer shop, last night treated their customers to a late-night celebration.

Sofmap laid on fire crackers, a countdown and games with prizes to celebrate the launch at midnight of the Japanese version of Microsoft's Windows 95 program.

A few streets away, the stage was being set for four days of festivities, featuring Japanese drums and celebrities such as Mr Ryuichi Sakamoto, the musician, and Mr Tommy Lasorda, the popular coach of the Los Angeles Dodgers, the US baseball team.

The fun and fanfare in Akihabara was replicated in cities throughout Japan. Not to be outdone by the extravagant launch in the US, Japanese supporters of Windows 95, from retailers to manufacturers, have tried hardto ensure that the launch in Japan sparks as much excitement for their own products.

Windows 95 went on sale at 250 computer shops and 5,500 Lawson convenience stores throughout Japan yesterday. Although Microsoft did not give any sales forecast, industry analysts expected about 5m units of the operating software to be sold in its first year.

As the clock struck midnight, computers manufactured by no fewer than 16 PC companies and pre-installed with Windows 95 went on sale as the makers vied to cash in on the Windows 95 fever.

NEC, which has the largest share of Japan's PC market, is selling 13 PC models pre-loaded with the Japanese version of Windows 95 and has shipped 100,000 units to its 10,000 sales outlets. The company has sent more than 300 employees to Akihabara to gauge consumer reaction to the new software.

Fujitsu, which has been competing aggressively, has shipped 50,000 PCs preloaded with Windows 95 to 250 shops.

Every big Japanese computer maker took full page advertisements in the Nihon Keizai Shimbun economic daily yesterday to make sure consumers knew their PCs came with Windows 95.

According to a survey by Ascii, a publishing and software marketing company, 90 per cent of those who currently use Windows 3.1 intend to switch to Windows 95.

However, in spite of all the hype, the experience of disgruntled users in the US appears to have triggered some caution among prospective Japanese users.

Only 34 per cent of those surveyed said they would buy Window 95 as soon as possible. More than half said they would buy the software only after seeing how reliable it was.

Bill Gates' road ahead, Page 12

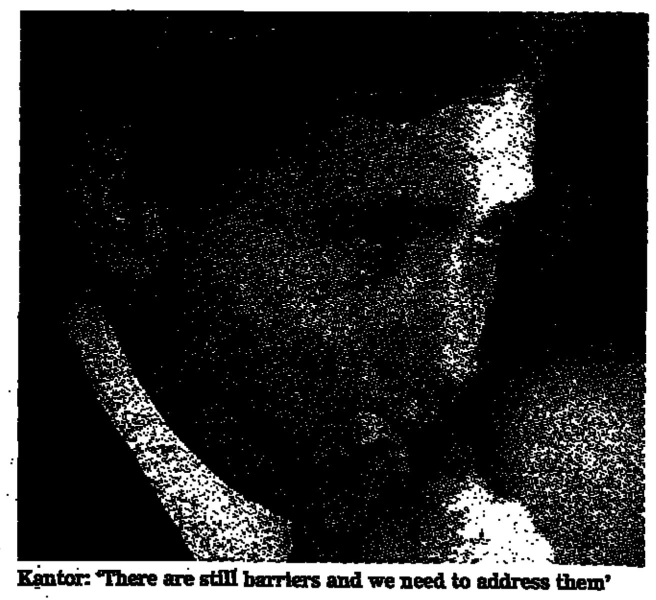
Washington and Tokyo split on renewal of chips agreement

Kantor calls for market share pact to be reviewed. No need, say the Japanese, it has already worked. **Michiyo Nakamoto** reports

Mr Mickey Kantor, the US trade representative, has called for the renewal of the US-Japan semiconductor agreement, citing the need to address remaining barriers to the Japanese market.

"We have made progress, and there is no doubt that the semiconductor agreement has been helpful" in increasing the foreign share of the Japanese market, Mr Kantor said in Washington this week.

"But that doesn't tell the whole story. There are still barriers that remain and we need to address them. We are prepared to sit down and review the entire agreement," Mr Kantor said.



Kantor: 'There are still barriers and we need to address them'

JAPANESE IMPORTS OF SEMICONDUCTORS

Percentage market share

	formula 1	formula 2
Q1 92	14.6	16.6
Q2	16.0	17.9
Q3	15.9	17.7
Q4	20.2	22.5
Q1 93	19.6	21.5
Q2	19.2	21.6
Q3	18.1	19.7
Q4	20.7	22.1
Q1 94	20.7	22.0
Q2	21.9	22.5
Q3	23.2	23.4
Q4	23.7	24.7
Q1 95	22.8	23.6
Q2	22.9	23.8

Formula 2: Foreign-based semiconductors are identified by "brand", and "captives" (semiconductors manufactured and used internally by a company that does not sell semiconductors in the merchant market) are included. Formula 1: Foreign-based semiconductors are identified by "final assembly", and "captives" are not included. Source: MITI, USTR

The bilateral semiconductor agreement, which is scheduled to expire at the end of July next year, calls for a "steady and gradual" increase in the foreign share of the Japanese market.

As part of the agreement, Japan recognised the expectations of the US semiconductor industry that the foreign market share would rise to more than 20 per cent by the end of 1992. The US has at times interpreted this expectation as a commitment, which the Japanese deny.

The Japanese ministry of international trade and industry recently reiterated its view that the Japanese market has opened substantially and that there is therefore no need to renew the agreement. Mr Kantor's comments are unlikely to alter this view.

Japan points out that since the agreement was signed in 1991, the foreign share of the Japanese market has risen from 14 per cent to about 23 per cent last year.

The US, however, believes that the agreement needs to be renewed in order to ensure continuing progress in opening up Japan's market.

Japan's argument is borne out by the changes in both the world's semiconductor industries and the Japanese market since the agreement was first signed in 1986 and since its renewal in 1991.

Fears that the US is losing its competitive edge in the industry to Japan have long receded, with Intel, a US company, ranked as the world's largest semiconductor maker.

Global alliances between semiconductor makers and world-wide manufacturing have made the nationality of semiconductor chips less relevant, if not meaningless.

What has not changed, however, is a strong feeling among US semiconductor makers in Japan that, without a firm government commitment to continue to improve access for foreign companies, the bad old habits which kept the Japanese market closed to outsiders for decades could re-emerge.

The co-operation between US makers and Japanese users and the more open atmosphere that has grown out of 10 years of regular consultations may not disappear when the agreement expires. "But I'd be more comfortable to continue the process until we're certain that we have a really open market," said Mr Roger Mathus, representative of the US Semiconductor Industry Association in Tokyo.

However, US semiconductor companies do not accept that the agreement, successful as it has been, has quite fulfilled its objective of ensuring fair access to Japan's market for foreign semiconductor makers.

Although the industry is more open to building close relationships with foreign as well as domestic companies, the progress that has been made over the past 10 years has not been sufficient to overcome 30 years of a closed market built on the Japanese tradition of close relationships, Mr Mathus believes.

The semiconductor agreement "is just an avenue for further communication", said Mr John Stich, general manager of semiconductor sales and marketing at Texas Instruments in Tokyo. But the cultural differences between the US and Japan made it a particularly important avenue to maintain both on the corporate and government levels.

If the agreement was allowed to expire, corporate relationships might continue. But without the government involvement it would be a step back from where foreign companies were today, he said.

US companies believe that it was largely Japanese government involvement that brought about significant changes in attitudes among Japanese semiconductor users towards foreign suppliers.

Japanese companies used to say they did not deal with companies that did not manufacture in Japan, that small foreign suppliers could not guarantee reliable supplies and that foreign semiconductors were not up to the quality of those made in Japan, Mr Mathus said.

That began to change once there was a government-industry consensus to work towards the goal of 20 per cent foreign market penetration.

"If we hadn't had this indicator, we wouldn't be where we are now," Mr Mathus said.

US industry believes the market share achieved so far in Japan is still not representative of US competitiveness in semiconductors.

The fact that Japanese companies had 80 per cent of the home market while US companies had twice the market share of Japanese companies in other parts of the world could not be explained by home turf advantage alone, Mr Mathus said.

Japanese industry counters that with a growing number of semiconductor users moving production outside Japan, it does not make sense to consider foreign market share in Japan alone.

Japanese companies complain that the US industry seems not to trust them to make the best commercial purchasing decisions. "The Japanese semiconductor industry can be expected to continue to engage in co-operative activities based on commercial considerations," said Mr Norio Ohga, chairman of the electronics industry association. "Further governmental intervention is unwarranted."

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South Africa seeks answer on provinces

By Mark Ashurst in Johannesburg

The South African parliament will create a new second chamber to try to solve the vexed problem of the future powers for its regional governments, if proposals in a draft constitution released yesterday take effect.

The 63-page *document*, published by Mr Cyril Ramaphosa, chairman of the constitutional assembly, reveals that little progress has been made in resolving the muddle of the existing interim constitution over the question of South Africa's federal structure.

But it does outline options *for provincial* representation in a second chamber, currently a 90-member senate chosen from party lists by a system of proportional representation in last year's all-race election.

The extent of federal powers has been the focus of dispute between the Inkatha Freedom party, which governs KwaZulu Natal and has 48 MPs in the national legislature, and the African National Congress, the majority party in the government of national unity, since well before the election.

Inkatha has boycotted the drafting process in protest at other parties' refusal to allow international mediation on the issue before the drafting process is complete, despite a commitment made by President Nelson Mandela and the former president, Mr F W de Klerk.

Mr Ramaphosa, secretary-general of the ANC, said he had contacted Chief Mangosuthu Buthelezi, Inkatha leader, and planned to discuss the draft document with him this week. "There is a real chance Inkatha will return to the constitutional assembly [where] *they have an important* contribution to make. That will be good for the country and good for Inkatha."

One option in the draft proposes a council elected by provincial MPs on a basis of proportional representation. A second proposes a statutory 10 representatives from each province. Both grant the second chamber power to veto national bills, subject to a two-thirds majority in the lower house or a 12-month delay.

In cases where an act of the national legislation conflicted with provincial laws, the proposed Council of Provinces would mediate.

Senior figures in the ANC expressed confidence that the combination of behind-the-scenes talks and the hope of securing greater political influence for the provinces at a national level would tempt Inkatha back into the process.

Other options contained in the draft federal constitution, approved by parliamentarians in the 490-member constitutional assembly, confine central government authority to issues of national policy.

These are defined only broadly as the maintenance of economic unity; a common market for goods, capital and labour; administration of national services; foreign policy; and the right to veto provincial legislation which could prejudice other regions.

In the years ahead, the detail of provincial legislation governing safety and security, education, welfare and provincial media will inevitably conflict with national initiatives, where some ministers have already moved to legislate common practices by which all provinces will be bound.

Algeria's FIS calls for peace

By Roula Khalaf, Middle East Correspondent

Algeria's banned Islamic Salvation Front (FIS) yesterday called on President Liamine Zeroual to open peace talks to find an end to the country's *four-year crisis. The appeal* comes less than a week after Mr Zeroual won a landslide victory in presidential elections.

The election and the high turnout recorded marked a big setback for the FIS and other opposition parties which had called for a boycott.

Mr Rabah Kebir, the FIS's spokesman in exile, yesterday made public an open letter to Mr Zeroual *saying* the message of the Algerian people "is the same whether through a boycott or through participation – the *goal* is peace, democracy and the escape from poverty".

In a conciliatory tone, Mr Kebir said he was relieved to hear Mr Zeroual say he felt the weight of the trust the people had placed in him and to hear of his determination to allow all Algerians a role in rebuilding the country.

Mr Kebir's letter is a shift from FIS statements issued just a few days ago, when it accused the government of inflating election results.

A man carries his *daughter to safety* through the rubble of a collapsed building in a Cairo suburb yesterday
Associated Press

TEN DIE IN MIDEAST EARTHQUAKE

By James Whittington in Cairo

A powerful earthquake measuring 5.7 to 7.2 on the Richter scale yesterday rocked the Middle East but caused little damage and few casualties.

Its epicentre was in the Gulf of Aqaba, about 70 miles south of the tourist resorts of Aqaba in Jordan and Eliat in Israel.

People in Egypt, Israel, Lebanon, Jordan and Saudi Arabia were woken around 6.15am local time by the earthquake. At least 10 deaths were reported.

The most serious incident was in the Egyptian port of Nuweiba on the Gulf of Aqaba, where a hotel collapsed killing an Egyptian and injuring 10 others.

In Eilat and Aqaba, tourists were evacuated from hotels and police had to close a road in the Israeli resort after a 400 metre crack appeared in the tarmac.

The airport in the Egyptian resort of Sharm el Sheikh was also temporarily closed because of cracks in its control tower. In Cairo, where more than 550 people were killed in an earthquake in 1992, there were few injuries despite the collapse of a number of buildings.

Virgin fined for Internet error

By Paul Taylor

Virgin Atlantic Airways has been fined by the US authorities for putting out misleading advertising on the Internet, the informal computer and telecommunications network *which links about 40m users* across the globe.

The incident, which arose out of an administrative error, is believed to be the first case of its kind and could have far-reaching implications for other commercial activities on the Internet which is largely unregulated.

Over the past 18 months more and more companies have established "home pages" on the World Wide Web which is graphics-based and the fastest growing part of the Internet.

Companies see this "Internet presence" as an important marketing tool since studies show that Internet browsers tend to be well educated and higher paid.

Web pages can be accessed by any computer owner anywhere in the world with a modem communications device, a telephone line and a contract with one of the commercial online services such as CompuServe or independent Internet service providers.

Virgin Atlantic, which is owned by Richard Branson's Virgin Group, published information on its Web pages, including details of its transatlantic air fares, but failed to update them.

Earlier this year the page *advertised a round-trip air fare* of $499 between Newark, in New Jersey and London for passengers booking 21 days in advance.

However, a consumer who called Virgin to book a ticket having seen the Web page was told that the fare was no longer available because the season had changed from off-peak to peak. The cheapest fare available had risen to $518.

The airline has agreed to pay a "nominal" fine of $14,000 to the US Department of Transport, but says the authorities accept the error was a "genuine mistake".

Although the fine was small, the circumstances will be closely scrutinised by corporate lawyers and others who are grappling with a wide range of legal issues raised by the growth of the Internet as a new electronic publishing medium.

Aside from questions of jurisdiction, these include issues such as copyright, libel and advertising.

Peres offers fresh approach to Syria peace

By Julian Ozanne in Jerusalem

Mr Shimon Peres was yesterday sworn in as Israeli prime minister and he immediately called on Syria's President Hafez al Assad to meet him to reconcile differences blocking a peace accord.

In a speech to parliament, which ratified his new cabinet by a large majority, Mr Peres said he would deepen the search for a comprehensive Middle East peace, continue the government's economic liberalisation programme and work to forge national unity in the wake of the assassination of Prime Minister Yitzhak Rabin.

Diverging from the *policy* of *his predecessor*, Mr Peres hinted his government would pursue negotiations with Syria, Israel's most powerful neighbour, on all tracks simultaneously rather than negotiate the security aspects of an Israeli withdrawal from the occupied Golan Heights ahead of political and economic matters.

"The logic of wars between us has ended. . . the negotiations with Syria can take on the character of a comprehensive *and regional agreement* in all fields, the political, strategic and economic," Mr Peres said. "Political peace means the end of wars. Economic peace means the beginning of growth."

The 72-year-old veteran Israeli politician, who served as prime minister in 1984-1986, also pledged to deepen co-operation with Egypt and Jordan, implement agreements with the Palestinians and support Palestinian elections due on January 20.

Mr Peres said his government aimed for a comprehensive Arab-Israeli peace by the year 2000 which would produce a region "free of violence, free of bloodshed, free of terror, free of war and free of all the causes that have brought about these things: poverty, illiteracy, backwardness and prejudice."

On the economic front he promised to maintain the government's reform measures but appeared to rule out a new economic package demanded by manufacturers and the central bank involving a budget cut which would naturally pave the way to a cut in interest rates and depreciation of the strong shekel.

Israeli shares rose sharply on Sunday and Monday in expectation that Mr Peres, who cut inflation from 445 per cent to 20 per cent between 1984-1986, would support a new economic package.

The prime minister, who on Monday brought into the cabinet a dovish rabbi, also reached out to the religious community and to the 130,000 Jewish settlers in the West Bank promising his government would not ignore their "feeling of distress" created by the peace process and the ongoing Israeli troop withdrawal from the West Bank.

Chaebol payments to Roh are disclosed

By John Burton in Seoul

Samsung and Hyundai gave the largest payments to former South Korean President Roh Tae-woo, followed by the Daewoo and LG groups, prosecutors said yesterday.

South Korea's four biggest industrial conglomerates, or *chaebol*, accounted for 40 per cent of the Won239bn ($310m) that Mr Roh collected from 29 business groups during his 1988-93 term.

Prosecutors last week arrested Mr Roh on corruption charges and alleged that the corporate payments were bribes given in return for government contracts and other state favours.

Samsung and Hyundai each gave Won25bn to Mr Roh, while Daewoo provided Won24bn and the LG group Won21bn, according to prosecutors.

Other big corporate donors to Mr Roh included the Hanjin transport group with Won17bn, Dong-ah Construction (Won16bn), the Lotte retail and hotel group (Won14bn), and the Jinro beverage group (Won11bn).

The amount of corporate payments to Mr Roh is likely to climb as an investigation of seven other *chaebol* has not been completed.

Prosecutors have indicated that several business leaders will be indicted in early December on bribery charges along with Mr Roh, although the chairmen of Daewoo and Dong-ah were the only ones named in Mr Roh's arrest warrant.

Meanwhile Mr Ahn Woo-mahn, justice minister, suggested that the corruption investigation would extend to politicians who received money from Mr Roh.

Main targets could include the two main opposition leaders.

Mr Kim Dae-jung, head of the biggest opposition party, has already admitted receiving Won2bn from Mr Roh for his 1992 presidential campaign.

Mr Kim Jong-pil, leader of the conservative United Liberal Democrats, is suspected of receiving Won10bn from Mr Roh, although he denies the allegation.

The two opposition parties, in turn, are accusing President Kim Young-sam of accepting money from Mr Roh, a former political ally, for his 1992 election campaign.

President Kim has denied the charge, although he has refused to disclose the financial sources for his campaign.

Critics contend that President Kim is using the corruption probe to discredit his opponents ahead of tough parliamentary elections next April.

Signs of recovery for weak Japanese economy

By William Dawkins in Tokyo

Japan's economy remained weak in the five months to September but recovery is expected early next year, the government's economic forecaster said yesterday.

The latest leading indicator issued by the Economic Planning Agency, pointing to business conditions in the near future, stood at 36.4 in September, having languished below 50, the dividing line between growth and decline, since May.

However, Mr Isamu Miyazaki, the EPA's director general, said he could detect signs of business recovery, such as a rise in corporate investment and public spending, partly in response to the Y14,220bn ($139bn) fiscal stimulus package adopted by the government in late September. He predicted growth of 1 per cent in gross domestic product for the year to next March, rising to 2 per cent in the following 12 months.

The leading indicator, a basket of 11 indices, showed a slight pick-up from 33.3 in August. Of its components, four showed an improvement, most notably housing starts. Among the other seven, stocks of unsold goods rose slightly, a reminder of Japan's industrial overcapacity, while sales of consumer durables declined. The labour market also weakened.

Earlier, the EPA reported that Japanese companies spent less on machinery from August to September, but that the three-month trend continues to rise. Economists greeted this as proof that gentle growth in capital spending is set to continue.

Machinery orders fell by 3.9 per cent to Y903.6bn from August to September, or by 0.9 per cent by comparison with September last year. However, machinery spending is volatile from month to month, because it includes occasionally very large orders. Taken over the three months to September, a better guide to the trend, Japanese companies spent 2.4 per cent more on machinery than in the same period in 1994.

The EPA yesterday predicted a 9.3 per cent rise in orders from the three months just ended to the quarter ending in December. This supports economists' belief that capital spending as a whole will recover by at least 2 per cent this year, breaking a four-year decline.

Patten outraged at 'shadow government'

By Simon Holberton in Hong Kong

Mr Chris Patten, Hong Kong's governor, yesterday angrily responded to suggestions by a senior adviser to China that Beijing needs to establish a "shadow government" in Hong Kong up to six months before the colony's formal handover in mid-1997.

The governor said Britain was prepared to work for a "co-operative relationship" with China but "as for alternative governments that is quite simply out of the question".

He was answering questions arising from a speech on Tuesday night by Sir Sze-yuen Chung, a former senior adviser to Britain, who is now a leading member of the Preliminary Working Committee (PWC). The PWC is a Beijing-appointed group of Hong Kong grandees and Chinese officials who advise China on the handover.

In a speech to the Hong Kong Management Association Sir S Y, 78, offered his "speculation" on how China would manage the run up to the handover. He held out the prospect of a parallel, "shadow" government consisting of a chief executive, principal advisers and a legislature making policy and laws for Hong Kong six months before the handover, for later implementation.

His speech follows Beijing's announcement that it will water down the Bill of Rights, which underpins civil rights, and comments by a senior Chinese government official which suggested China would not recognise foreign passports held by people of Chinese race.

Sir S Y said the provisional legislature would debate and pass laws which would come into effect on 1 July, 1997 when Beijing assumes control.

These laws would cover the appointment of senior judges, the "deletion" of laws which contravene the Basic Law, China's mini-constitution for Hong Kong, and the territory's budget. The provisional legislature would also have to pass laws concerning the court of final appeal, the issuing of passports, and the definition of a Hong Kong permanent resident.

Sir S Y said the transfer of Hong Kong to China was "unprecedented" in modern history. "Under the circumstances, an overlapping period of about six months, in my view, is neither excessive nor unreasonable."

Sir S Y Chung when he was serving as senior adviser to Britain

Mr Patten described his advice as "constitutional effrontery"; Mr Martin Lee, chairman of the Democratic party, said it was a "shocking idea".

Even Beijing's supporters in Hong Kong warned that it would confuse civil servants as to whom they should serve.

Pakistan agrees $600m standby loan with IMF

By Farhan Bokhari in Islamabad

A Pakistani government delegation has reached agreement with the International Monetary Fund on a $600m standby loan to improve the country's foreign exchange reserves and restore its financial credibility. The loan, still formally to be approved by the IMF's executive at its meeting next month, would be disbursed over 15 months.

One of its main objectives is to put Pakistan back on track to receive up to a further $1bn medium-term loan under the Extended Structural Adjustment Facility. That loan was suspended a year ago when Islamabad failed to comply with conditions such as reducing inflation, cutting the budgetary deficit and improving growth rates.

The week-long discussions with the Fund have taken place against a backdrop of growing concern over Pakistan's economy with the rupee recently having been devalued to boost sagging exports. The government has also slapped new duties ranging from 5 to 10 per cent on imports, to improve revenues.

Those measures, along with a 7 per cent increase in domestic fuel prices, have been taken to improve the balance of payments position. Foreign exchange reserves have dropped to just below $1.2bn from $2.28bn in September, while the trade deficit during the July to September quarter doubled from a year earlier. However, the measures are expected to fuel inflation.

The government argues it cannot introduce quick macroeconomic fiscal discipline to an economy that has lived beyond its means in previous years. Ms Benazir Bhutto, prime minister, insists there has been "a slow but very steady progress" in the economy. The government is also expecting a bumper cotton crop this year after three poor years, which would help bring the huge textile sector out of its recession.

Her government's biggest disappointment, according to critics, has been the effects of violence in Karachi, where more than 1,650 people have been killed since the beginning of this year. Efforts by the government to negotiate a settlement with the Mohajir Qaumi Movement, Karachi's largest ethnic political party, members of which are believed to be behind much of the trouble, have so far not been successful.

The KSE-100 index of the Karachi stock market, a signal of business confidence, has fallen by almost 35 per cent during the past year. In spite of news of the IMF deal, the index fell 35.08 points yesterday, or almost 2.5 per cent, closing at 1,419.34.

Mr Hafeez Pasha, a former commerce minister and now director of Karachi University's Institute of Business Administration, says: "The perception of risk in Pakistan's economy has been heightened. The conditions in Karachi have contributed to this increased perception of risk and that is the reason why you find that capital movements are not in our favour."

ASIA-PACIFIC NEWS DIGEST

Opposition may join Burma talks

Burma's National League for Democracy (NLD), led by the Nobel laureate Ms Aung San Suu Kyi, yesterday expressed dissatisfaction with the country's military-dominated constitutional convention, which is scheduled to resume next week, but reserved its right to participate. Ms Suu Kyi said the NLD had not decided whether to boycott the convention outright, adding that discussions about changing both the form and content of the proposed constitution could lead to reconciliation between her party and the ruling military junta.

Constitutional talks, taking place intermittently since January 1993, are to reopen on November 28, the first time since Ms Suu Kyi was released in July from nearly six years of house arrest. Most of the delegates to the convention have been hand-picked by the military and have already enshrined principles giving the military a "leading role" in politics.

"If the National Convention continues in its present form it cannot assist in achieving national reconciliation, genuine multi-party democracy, or a state constitution that enjoys the support and confidence of the people," the NLD said in a statement read by Ms Suu Kyi. "These aims can only be achieved through discussion and dialogue."

There had been some optimism on Ms Suu Kyi's release that the convention could be transformed into a forum for a dialogue that would satisfy the NLD. But talks on the issue have apparently not taken place although the opposition party said it still hoped such discussions would begin before the convention reopens. *Ted Bardacke, Bangkok*

Nuclear test prompts protests

The latest French nuclear test at Mururoa atoll overnight brought further condemnation yesterday from Pacific governments. Senator Gareth Evans, the Australian foreign minister, said he had called in the French ambassador and, in the course of a 40-minute meeting, asked him to convey "in the strongest possible terms" Australia's protest.

Mr Koken Nosaka, Japan's government spokesman, said: "We deeply deplore the nuclear test that France has again conducted." Mr Yohei Kono and Mr Don McKinnon, the Japanese and New Zealand foreign ministers, also summoned French ambassadors to lodge protests.

Mr Paul Keating, Australia's prime minister, said that the French government needed to realise that by "sending the wrong signals about its nuclear intentions it was, in fact, undermining its long-term security, not strengthening it". *Nikki Tait, Sydney and Reuter, Tokyo*

Indonesia magazine ban 'illegal'

An Indonesian court has upheld the overturning of a ban on what was one of the country's leading political magazines. The landmark ruling comes at a time when the judiciary appears to be trying to establish independence from government.

The Jakarta Administrative High Court upheld a verdict passed by a lower court in May this year that the minister of information had no legal grounds to ban Tempo. "This is not a victory just for Tempo, but once again, a victory for law above power," Mr Gunawan Mohamad, Tempo's former editor, said. However, former Tempo employees admit the courts probably ruled in their favour because the ban was by ministerial rather than presidential decree. President Suharto, is still seen to stand above the law. *Manuela Saragosa, Jakarta*

Privatisation 'runs out of steam'

The Philippine government's privatisation programme has almost run out of steam since it was launched in 1986, Mr Roberto De Ocampo, finance minister, said yesterday. He said the government had netted 170bn pesos ($6.5bn) from the such sales mostly in the last three years. In 1994, the most lucrative year for privatisation, the government earned 50bn pesos mostly from the sale of the state oil company, Petron, to Saudi Aramco and former military lands. Mr De Ocampo said the remaining assets to be sold included government properties, the national power corporation and government sequestered shares in private companies. *Edward Luce, Manila*

● Manila yesterday called for national unity before peace talks with Moslem separatists start in Jakarta next week. The negotiations – hosted by Indonesia on behalf of the Organisation of Islamic Countries - come after months of preparatory talks with the Moro National Liberation Front since separatist fighting was renewed in the south of the Philippines earlier this year. *Edward Luce, Manila*

■ South Korea had higher than expected economic growth of 9.9 per cent in the third quarter, up from 7.6 per cent a year earlier, underpinned by a rise in exports and capital investment, the Bank of Korea said. *Reuter, Seoul*

■ Singapore's non-oil exports rose 12.6 per cent year-on-year in October to S$7.6bn (US$5.4bn) after a September rise of 15.0 per cent, the Trade Development Board said. *Reuter, Singapore*

Taiwan's Nationalists haunted by ghosts of a former regime

Laura Tyson reports on the KMT's struggle to retain its majority

Ghosts of Taiwan's *ancien régime* are coming back to haunt the ruling party ahead of parliamentary elections on December 2, ironically posing the most serious threat yet to the Nationalists' long-time dominance of the country's political system.

The outcome of the polls, official campaigning for which began yesterday, will not only influence Taiwan's first direct presidential elections, to be held next March, but may force changes in the way the country, recently democratised, is governed.

Although some observers warn that the result could be a chaotic parliament and a weak president, others believe that loss of control over the legislature would have a salutary effect on a ruling party plagued by corruption and by links to big business and organised crime.

Ms Chiu Chang, a lawyer running as an independent candidate in Taipei, said that the image of the Nationalist party, the Kuomintang (KMT), had deteriorated so much it was considered a liability at the ballot box.

"In this election, even KMT candidates are trying to distance themselves from the party," she said yesterday. "They are not displaying the KMT symbol on their campaign flags or in their campaign literature. They know it's deadly."

As President Lee Teng-hui wound up a tour of the island stumping on behalf of KMT candidates, a grandson of the late Generalissimo Chiang Kai-shek, whose family ruled Taiwan with an iron fist from 1949 until the late 1980s, attacked the president in a front-page advertisement in a leading daily newspaper.

Mr Chiang Hsiao-yung, who as a symbol of the Chiang era still wields influence in Taiwan, blamed Mr Lee for current tensions between Taipei and Beijing, writing that the president was "bringing the country to war, sending innocent people into a battle which [Taiwan] stood no chance of winning". He urged voters to support "banished lambs", meaning KMT stalwarts shoved aside by Mr Lee in past power struggles.

The missive was the latest in a series of broadsides aimed at the KMT ahead of the legislative polls, in which the party is fighting to retain its majority. To do so it needs to win 83 seats, against the 92 it won in the 1992 elections, a prospect viewed by political analysts as increasingly dim.

These elections are critical because the next three years will span a period of challenges for Taiwan. "Some leaders in China view next year's presidential elections as an open declaration of independence," said Ms Chang. "This will be a very significant event for Taiwan, the world and for China itself."

Beijing regards Taiwan as a rebel province and threatens to use military force to recover the island should it attempt to formalise its de facto independence.

Another hurdle to be faced is Hong Kong's reversion to Chinese control in mid-1997, which could cause Taipei to abandon its long-standing ban on direct contacts with China and force it into direct political talks with Beijing.

The resurgent neo-conservative political forces – mostly present or past KMT members born in mainland China who feel ostracised by a party now dominated by native Taiwanese – will not themselves wrest control of the 164-seat legislature away from the KMT. Instead they may act as a spoiler, tilting the balance of power away from the ruling party and into the hands of opposition parties.

The spiritual leader of the conservatives is Mr Hau Pei-tsun, a former KMT general in China's civil war. His emergence as a vice-presidential candidate has given a boost to the New party, which broke away from the KMT in 1993. But 76-year-old Mr Hau, a general in intelligence under Chiang and a symbol of the martial law era which ended in 1987, has also evoked strong emotions among Taiwanese, fanning the flames of ethnic tensions between the native Taiwanese who comprise 85 per cent of the population and the immigrants from mainland China who arrived in the late 1940s.

The New party aims to treble its existing seven seats in the December polls. The Democratic Progressive party (DPP), the leading opposition group hopes to win at least 60 seats, up from 51. Combined with independent candidates, the current opposition parties could control more than half the legislature.

Should the KMT lose its majority it would probably be forced to form a coalition government. This could mean more confrontation in Taiwan's tempestuous parliament and less law-making. Controversial infrastructure projects, such as a long-delayed fourth nuclear power plant, might be doomed as the KMT may not be able to marshal enough legislators to force projects through.

Even if the KMT does keep a nominal majority, it will nonetheless face increased difficulties in getting its policies through the legislature and implementing them. A number of KMT legislators are in fact supporters of the New party and cannot be relied upon to vote according to the KMT leadership's wishes.

The KMT may be forced to seek an alliance with the DPP, with which it shares similar views on the crucial issue of Taiwan's relations with China. Given the acrimony between the New party and the mainstream KMT it is doubtful the two parties could co-operate.

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AMERICAN NEWS DIGEST

US deficit on trade lower than expected

The US trade deficit was lower than expected for the second month running in September, reflecting sluggish domestic demand, official figures showed yesterday.

The Commerce Department said the deficit fell to $8.3bn against Wall Street expectations of a shortfall of about $9.5bn. Figures for August were revised down to show a deficit of $8.4bn, rather than $8.8bn as previously reported.

The bilateral deficit with Japan fell from $5.1bn to $4.3bn, its lowest level in more than two years. The decline in the overall deficit from a monthly average this year of about $10bn partly reflected corporate efforts to bring inventories of unsold goods into line with likely consumer demand. The "inventory correction" has helped improve the trade figures because many capital goods are imported.

Exports rose 1.6 per cent between August and September to $67.2bn, more than offsetting a 1.4 per cent increase in imports to $75.6bn. Exports were 10.3 per cent higher than in September last year. Imports were up 8.6 per cent over the same period. The deficit for the first nine months was $90bn against $78.7bn for the same period last year. A deficit of $136.8bn in goods was partially offset by a $46.8bn surplus on trade in services.

Separate data yesterday on the domestic economy pointed to growth but at a more moderate pace than in the third quarter when gross domestic product grew at an annualised 4.2 per cent. The University of Michigan's index of consumer sentiment fell slightly to 88.2 this month against 90.7 in October. Monthly claims for jobless benefits were reported stable in the week ended November 18 but well above levels in the third quarter. However, data on retail sales for the first three weeks of November reported in the Johnson Redbook survey showed a 2.2 per cent gain from October – a sign that Christmas spending may be less subdued than some economists feared.

Michael Prowse, Washington

Boeing strikers reject deal

Striking production workers at Boeing, the world's biggest aircraft manufacturer, have dealt their employer an unexpected blow by voting to reject a return-to-work formula recommended by their own union leaders. The decision could bring about a sharp fall in the company's output and hit earnings.

The 32,500 striking employees, representing about a third of Boeing's total workforce, are members of the International Association of Machinists and Aerospace Workers. They walked out seven weeks ago after rejecting the terms of renewal of their three-year labour contract.

Last Sunday, following the intervention of a federal mediator, Boeing's management and the machinists' union agreed fresh terms for a contract, but late on Tuesday night the union announced that the revised package had been rejected by more than 60 per cent of the vote. One factor in the strikers' decision is believed to have been that Mr Frank Shrontz, Boeing's chairman, and other top executives had just received stock options worth millions of dollars following recent increases in the company's share price.

Mr Bob Gregory, the machinists' lead negotiator, said: "Our members have fought long and hard, and they're not going to start building airplanes again until Boeing improves that offer."

Richard Tomkins, New York

Sell-off in Dominican Republic

The Dominican Republic has put 20 state-owned companies up for sale, including an airline. Private investors, including foreigners, will now be able to buy portions of the state companies, said Mr Pedro Breton, director of the Dominican corporation of state companies.

The companies include the airline Dominicana de Aviacion, which was closed early this year because of administrative problems; and factories that make construction equipment, bags, car batteries, nails and other products. All of the companies are either unprofitable or have shut down. Potential buyers must submit their plans for turning the companies around, Mr Breton said.

AP, Santo Domingo

Haiti refugees forced to return

The US coastguard said yesterday it would escort 516 Haitian refugees crowded aboard an intercepted freighter back to their Caribbean island. The badly overcrowded freighter was intercepted on Tuesday after it spent about 38 hours trying to evade the coastguard by ducking in and out of Cuban territorial waters. Hundreds of Haitians, some clinging to the deck of the 75-foot freighter, were taken aboard a coastguard cutter for an escort back to Haiti. Since the return of President Jean-Bertrand Aristide last year, Haitians intercepted at sea are returned to apply for US immigration.

Reuter, Miami

Colombia oil official kidnapped

A senior official of Colombia's state oil company Ecopetrol has been kidnapped. A local television news station said five people, including a woman, kidnapped Mr Alfonso Manrique, a member of the company's board of directors, from his office on Tuesday. Ecopetrol is working with foreign oil companies to develop the giant Cusiana and Cupiagua oil fields in the country's eastern plains.

Reuter, Bogotá

Tobacco giant to sue US whistle blower

By Richard Tomkins in New York

Brown & Williamson Tobacco, the US cigarette maker owned by Britain's BAT Industries, has gone to the courts in an attempt to silence a former executive who has gained notoriety by revealing company secrets to the anti-smoking movement.

In a lawsuit filed in a Kentucky state court, Brown & Williamson has accused Mr Jeffrey Wigand, formerly its vice-president of research, of theft, fraud, and breach of contract, claiming he violated confidentiality agreements by leaking company secrets to news organisations and plaintiffs in lawsuits against the tobacco industry.

The company is seeking unspecified damages and a restraining order.

Until recently, the source of the Brown & Williamson leaks had been a mystery. But Mr Wigand's identity was revealed when he agreed to be interviewed for a report on the tobacco industry in the CBS News television programme "60 Minutes".

In the event, CBS's management ordered "60 Minutes" not to broadcast the interview because it feared it would have to face a multi-billion dollar lawsuit.

But the contents of the interview – and Mr Wigand's identity – emerged last week when they were leaked to the New York Daily News.

According to the Daily News report, Mr Wigand's interview alleged among other things that Brown & Williamson dropped plans to develop a safer cigarette and knowingly used a pipe-tobacco additive that caused cancer in laboratory animals.

Brown & Williamson said its lawsuit against Mr Wigand was "about the essential qualities of loyalty, trust and honesty between employees, their colleagues and employers, which are so necessary to the conduct of business and to our society overall".

Mr Gary Morrisroe, attorney for Brown & Williamson, said: "Wigand personally profited from B&W information that he unlawfully possessed. For example, the complaint cites that while under a pledge of confidentiality and receiving severance payments and outplacement help from B&W, Mr Wigand was secretly selling himself as an 'expert' witness in lawsuits against the tobacco industry."

Brown & Williamson's decision to sue Mr Wigand is the latest example of the US tobacco industry's increasingly tough tactics against its critics.

Earlier this year the ABC television network offered a humiliating apology for a hard-hitting report on the tobacco industry to settle a $10bn lawsuit brought by Philip Morris, the biggest US tobacco company.

Brown & Williamson is not directly suing CBS, but CBS could still suffer financially because it is understood to have offered to indemnify Mr Wigand against lawsuits arising from his interview.

Government may have jumped the gun, writes **Bernard Simon**

Mulroney probe trips up Ottawa

Mr Brian Mulroney, Canada's former prime minister, was unlikely to get much sympathy after his name was linked last weekend to alleged kickbacks from several big government contracts, notably Air Canada's purchase of European-built Airbus aircraft in 1988.

Mr Mulroney, whose Progressive Conservative government held office at the time of the deals, is remembered for his regal style and his close connections to many of Ottawa's leading power brokers. He was among Canada's least popular prime ministers when he quit politics before the 1993 general election.

In recent days however, the present Liberal government has faced as many questions as the ex-prime minister over the Airbus affair.

Former PM Mulroney: vigorously denies any wrongdoing and has sued the government for C$50m

The questions centre on whether the justice department in Ottawa and the Royal Canadian Mounted Police had sufficient evidence to justify an investigation against Mr Mulroney, and whether they treated him fairly in pursuing inquiries into the C$1.8bn (US$1.3bn) Airbus order.

Mr Mulroney, who now works for a Montreal law firm and sits on the boards of several multinational companies, has vigorously denied any wrongdoing. He has sued the justice department and the Mounties for C$50m. Other alleged participants, including Airbus Industrie, have also issued strong denials.

The Air Canada order for 34 A-320 aircraft marked an important breakthrough in North America for Airbus against its US rivals, Boeing and McDonnell Douglas. Air Canada was a government-controlled corporation at the time, and rumours have swirled for years that its decision was not based entirely on commercial grounds.

The Airbus issue burst into public view earlier this month after Mr Mulroney and the media got wind of a request by the Canadian justice department to the Swiss justice minister for details of Swiss bank accounts that were allegedly used for secret commissions. However, allegations of Mr Mulroney's personal involvement surfaced only last weekend when parts of the letter to the Swiss authorities were leaked to the media. The Swiss have agreed to freeze two accounts at a Swiss Bank Corporation branch in Zurich.

The letter spells out numerous allegations against the former prime minister and a political associate, Mr Frank Moores, who was a prominent Ottawa lobbyist and an Air Canada director during the 1980s. It also names Mr Karl-Heinz Schreiber, a German-Canadian businessman.

According to a translation of the Canadian letter, sent in German, "the police are in possession of reliable information that Mr Schreiber got commissions in order to pay off Mr Mulroney and Mr Moores to make sure that Airbus Industrie could sell the planes".

Mr Moores allegedly opened two accounts at Swiss Bank Corporation in 1986 and 1987. One used the code name "Devon", which is the name of a Montreal street on which Mr Mulroney once lived.

According to the letter, payments of up to C$20m have been funnelled into these accounts through International Aircraft Leasing (IAL), a Liechtenstein-based front company set up by Mr Schreiber.

"A confidential informant says that 25 per cent of all amounts were paid to Mr Mulroney," the justice department wrote. Payments allegedly continued until Mr Mulroney left the government in early 1993.

The letter claimed that IAL funnelled secret commissions to Mr Mulroney and Mr Moores for two other government contracts with German companies.

The letter concluded bluntly that "the investigation is of special importance to the Canadian government because criminal activities carried out by a former prime minister are involved".

Besides denying these accusations, Mr Mulroney's statement of claim says that the government officials responsible for the letter knew that the allegations against him were "solely generated by media speculation" and that "they were totally incapable of proving any of them".

Mr Mulroney and his lawyers asked to meet senior justice officials earlier this month after the letter was leaked to them. But they were rebuffed.

Mr Allan Rock, the justice minister, said that such a meeting would have been inappropriate. "I think politicians should stay out of police investigations," Mr Rock said.

In a biting editorial, headlined "What kind of case is this?", the Globe and Mail newspaper earlier this week pointed to inconsistencies between media reports of the Airbus affair and references to these reports in the justice department's letter.

The Globe and Mail asked why the Mounties failed to interview Mr Mulroney before sending their request to Switzerland, whether the conclusions reached in the letter were justified by the evidence available and whether adequate measures were taken to keep the letter confidential.

Support for Mr Mulroney has come from another unlikely quarter. Mr Lucien Bouchard, the Quebec separatist leader, was a close friend of the ex-prime minister until Quebec politics ruptured their relationship in 1989.

Mr Bouchard was Canada's ambassador to France at the time of the Airbus deal. He told a press conference on Tuesday that he knew nothing about the sale. But Mr Bouchard added – first in English, then in French – that, despite his differences with Mr Mulroney, "this man is unable to be dishonest."

Concessions on IRA weapons are ruled out

By John Kampfner in London and John Murray Brown in Dublin

The British government and the Ulster Unionists yesterday raised the stakes in Northern Ireland's peace process by explicitly ruling out concessions to Sinn Féin on IRA weapons.

Sir Patrick Mayhew, Britain's Northern Ireland secretary, said recent "dire warnings" by Sinn Féin had served only to emphasise the ease with which its supporters could resort to violence if they did not get their way during negotiations.

Sir Patrick's speech in the *Northern Ireland city of* Londonderry contained some of the most unremitting criticism of Sinn Féin by a senior British figure since the paramilitary ceasefires 15 months ago.

The tone reflected a growing readiness in London to apportion blame for the impasse, although British officials stressed there was "no undue pessimism" about the prospects for a successful outcome to the latest Anglo-Irish initiative.

Mr John Bruton, the Irish prime minister, last night telephoned Mr John Major as officials from both governments discussed their differences over the remit of a proposed international body to look at paramilitary arms.

The brief conversation was the second in as many days. Downing Street said the leaders planned to talk again by the end of the week. The timing appeared to preclude a meeting between Mr Bruton and Mr Major ahead of President Bill Clinton's arrival in the region next Tuesday.

The tone of recent British statements may have put to rest any hopes *Dublin* might have had that the UK side would "finesse" its way out of the impasse.

Sir Patrick restated that the door was open for Sinn Féin and loyalists to play a full role in political life, in proportion to their electoral mandates. "What they cannot expect to do is keep a foot in both camps, to sign up as it were to 'democracy à la carte'," he added. He said so-called punishment beatings "reflect in practice the ambiguous attitude to violence and democracy revealed in some of the leadership's language".

Sir Patrick's comments were greeted in Dublin with dismay. Mr Dick Spring, the Irish deputy prime minister, said both governments had to "transcend the difficulty in relations to arms, not just to postpone the question".

In a further sign of a hardening of positions, Mr David Trimble, the Ulster Unionists' leader, criticised the Anglo-Irish approach, which focuses in equal measure on the relationship between London and Dublin, between Northern Ireland and the Irish Republic, and on internal arrangements within Northern Ireland.

The only way of breaking the impasse, Mr Trimble said, was to hold elections to a Northern Ireland assembly. Similar proposals, outlined last February in the Anglo-Irish joint framework document, did not address the problem.

Northern Ireland consumers face a substantial rise in electricity prices, even though the province's privatised distributor is already making too much profit, a cross-party committee of MPs said yesterday, Kevin Brown writes.

In a highly critical report, the Commons Northern Ireland committee urges the province's independent regulator to make sure that Northern Ireland Electricity does not increase the cost of investment in modernisation by "gold plating" projects.

The committee says the regulator should investigate "ways of preventing the company *from diverting funds* from the proposed investment expenditure in order to further boost profits and dividends".

Corporate governance Review of directors' role will recognise need for board cohesion

Some Cadbury reforms may be reversed

By Norma Cohen and William Lewis

The panel which will follow up the Cadbury committee's examination of corporate governance has a much stronger business flavour than its predecessor. More than a third of the members are either chairmen or chief executives of quoted companies. *The chairman will be* Sir Ronald Hampel, chairman of ICI (fourth from left).

The new committee includes two of Britain's ablest business leaders: Sir David Simon, chairman of BP (far right) and Mr Clive Thompson, chief executive of Rentokil. Mr Christopher Haskins, chairman of Northern Foods (far left), is one of the best known businessmen to support the opposition Labour party. Sir Nigel Mobbs of Slough Estates (centre) is *closer to the governing Conservative* party. The City of London is less well represented than before. Mr Tom Cross, director of actuaries Alexander Clay and Partners and chairman of the National Association of Pension Funds, is a member, as is Mr Peter Smith, chairman of Coopers & Lybrand (second from left) and Mr Giles Henderson, senior partner of the law firm Slaughter & May. Mr Michael Hartnall, finance director of Rexam, and Mr Michael Coppell, chairman of Air*sprung Furniture*, are also on the committee. Other members are Mr Tony Richards, an executive director of Henderson Crosthwaite, and Mr David Thomas, general manager (investments) at Equitable Life Assurance

The new Committee on Corporate Governance, set up to succeed the Cadbury committee, may reverse some of the reforms put in place by its predecessor, its chairman said yesterday.

Sir Ronald Hampel, chairman of Imperial Chemical Industries, was confirmed as chairman of the new committee which includes six other industrialists, a lawyer, a financier, an actuary, an accountant and an institutional shareholder.

The Hampel committee, which will have its first meeting in January, aims to have an interim report by mid-1997 with a final report completed by the end of that year.

Sir Ronald said the committee would review the effects of the code of best practice for *corporate boards set out by the* Cadbury committee and of the code on directors' remuneration set up by the Greenbury committee.

Organisations such as the Confederation of British Industry and the Institute of Directors have criticised the Cadbury code for requiring non-executive directors to *monitor the behaviour of exec*utives. Sir Ronald acknowledged that view saying, "if you go down the road of making non-executives solely responsible for the vetting of executives – and some things are going that way – they you destroy the unity of the board."

The committee's remit *includes a review of the role of* directors "recognising the need for board cohesion and the common legal responsibilities of all directors." Shareholder groups view the role set out for non-executives under the Cadbury code to be one of its most significant contributions and believe it has led to an improvement in the calibre of *non-executives on UK corpo*rate boards in recent years.

Sir Ronald said yesterday he believed the reforms of the Cadbury code had broadly been "a good thing" for British industry. But he said: "I would like to raise the debate to the level of 'How do we improve the efficiency of British companies?'" The CBI, which jointly *nominated three of the com*mittee's members, said yesterday: "We support the committee's desire to enhance and not inhibit the prospects for UK business."

Other aspects of the committee's remit include addressing the role of auditors in corporate governance and any other relevant matters. "Without impairing investor protection, the committee will always keep in mind the need to restrict the regulatory burden on companies," it said.

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Gas supply 'Nothing to be gained by reaching for lawyers first and talking second'

N Sea producers are ordered to renegotiate

By David Lascelles, Resources Editor

North Sea gas producers were told by the government last night to re-open their "take-or-pay" contracts with British Gas, or risk disrupting the UK gas market.

In a forceful intervention into the mounting problems of UK gas supply, Mr Tim Eggar, energy minister, told producers he expected them to get down to detailed negotiations soon, and that he would be discussing progress *with them* "over the coming weeks". Although his speech to a dinner of oil and gas company executives stressed the need for voluntary action, Mr Eggar made clear that the government believed the companies had no choice but to renegotiate. "It is not a question of whether," he said, "but when and how".

In a clear reference to US companies who play a large role in UK gas production, Mr Eggar discouraged a litigious approach to the problem. "I see nothing to be gained by any*body reaching for their lawyers* first and talking second," he said. He wanted to see the problem resolved "*in a co-oper*ative spirit and a mood of partnership".

Mr Eggar, however, also said that once companies began serious negotiation, the government would consider vari*ous measures to ease the* strains in the gas market, such as removal of the levy on offshore production.

The difficulties have arisen because the price of gas has fallen far below the price that *British Gas agreed to pay pro*ducers in long-term contracts signed during the 1980s.

British Gas is obliged to pay for the expensive gas whether or not it takes delivery of it. The cost will be £520m in the final quarter of this year. But producers have been reluctant to change the terms, claiming *that the contracts* were negotiated in good faith.

British Gas welcomed Mr Eggar's statement. It said discussions had begun with some producers, "but to say that they were negotiating was put*ting too fine a point on it.*"

North Sea companies said they would consider Mr Eggar's *remarks, but stressed that* there was little commercial incentive for them to agree a lower price for their gas.

Asked if gas producers which refused to renegotiate terms with British Gas would lose *out in future* allocations *of oil* and gas exploration licences, Mr Eggar said he was not making that threat, though it was clear US oil companies wanted to expand in the UK because they found the business envi*ronment attractive.*

Cunard raises offer over cruise complaints

By Richard Tomkins in New York

Passengers who travelled on the ill-starred "exploding toilets" cruise aboard the Queen Elizabeth 2 last December are to be offered fresh terms of compensation by Cun*ard, the vessel's owner*, it was announced yesterday.

Cunard said a court in New York had given preliminary approval to a settlement worked out between the company and passengers who complained of discomfort and distress caused by conditions aboard the ship.

Under the new offer, passen*gers will receive a full refund* of the fare paid plus another free trip worth the same amount as the fare paid. This is much the same as the last – and best – offer made by Cunard immediately after the December cruise.

In addition, however, Cunard is now offering a further travel credit worth $5,000 to those *who took the transatlantic* cruise from Southampton in England to New York and $2,000 to those who joined the vessel in New York for the Christmas cruise, with an option of taking half that sum in cash. *The company will also* meet specific expenses incurred in individual cases and will pay out $250,000 in legal fees.

The offer will be made to about 2,000 people, including *those* who booked but did not travel after hearing about conditions aboard the ship. Those who choose not to accept will be free to pursue legal action on their own.

Cunard said the total cost of *compensation* would not differ significantly from the £7.5m ($11.7m) that the company set aside earlier this year. The complaints arose after delays to an extensive refurbishment resulted in the QE2 sailing from Southampton with workers still on board struggling to complete the job.

In January, about 100 passengers filed a class action suit in New York claiming compensation for all passengers who sailed.

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UK fit to confront Asia 'tigers' says minister

By James Blitz and Kevin Brown at Westminster

Mr Peter Lilley, social security secretary in the Conservative government, yesterday claimed that Britain was better placed than any other European state to compete with the Asian economies because of its determination to contain taxation and reduce government spending.

Mr Lilley drew a sharp distinction between the UK and other governments in the field of competitiveness – claiming that Britain could take on the Asian "tigers" because of its policies. He was speaking at the annual dinner of the Institute of Directors in London.

First, he argued, "we can reasonably hope to become a low tax economy. Our tax burden is already around 10 per cent less of gross domestic product than most of our neighbours."

In a speech which fleshed out his credentials as one of the most right wing members of the UK cabinet, Mr Lilley claimed it would be "folly" for the UK to retreat inside a fortress Europe which was "cocooned in industrial and social protection."

Instead, he argued that the UK was well on the way to becoming a "tiger" among European Union states because of its determination to contain taxation in the long term and cut back the welfare state which consumes around one-third of public expenditure.

He also argued that the UK had "systematically" and "vigorously" attacked the principal expenditure problem faced by every government - the welfare budget.

Mr Lilley, who has targeted welfare spending more than any other minister in the last four years, argued that France had been forced into "crisis cuts and huge increases in taxes" because of the massive £33bn ($51.5bn) deficit on their social security funds. He also said that the recent government shutdown in the US had been triggered mainly by welfare reform.

By contrast, Mr Lilley argued that sector-by-sector reforms in the UK have sharply reduced state spending. "Whereas the social security budget was set to take an ever increasing share of Britain's national income, it is now set to take a declining share of Britain's national income."

The social security secretary's comments were reinforced by Mr Kenneth Clarke, the chancellor of the exchequer, who gave MPs a robust report on the prospects for continued economic recovery. He dismissed the opposition Labour party's "bizarre" plans and prepared the ground for a tax-cutting national Budget next week.

Mr Clarke told the Commons that the UK was on its way to outperforming the rest of Europe so long as the government stuck to the economic course it had charted in recent Budgets.

He said the government remained committed to achieving a zero level of borrowing and cutting public spending to less than 40 per cent of gross domestic product.

Threat of strife recedes at Ford and GM plants

By Andrew Bolger, Employment Correspondent

Prospects of averting strife at the British offshoots of Ford and General Motors improved yesterday after trade union representatives and management stepped back from immediate confrontation.

Leaders of 22,000 manual workers at Ford decided to postpone an immediate ballot for industrial action even though negotiators had firmly rejected a two-year offer worth an extra 9.25 per cent. It was also announced that fresh talks would be held next month between unions and management at Vauxhall, a GM subsidiary.

But shop stewards at Vauxhall's plants at Luton in central England and Ellesmere Port in the north-west insisted that an overtime ban due to start at Vauxhall next week should go ahead in spite of the company's invitation to hold fresh talks on December 6.

Vauxhall's offer of 3.5 per cent now and a rise in line with inflation next year was rejected by the group's 7,200 manual workers who voted 4-1 in favour of industrial action.

Both the Ford and Vauxhall workforces are also seeking a two-hour reduction in their working week to 37 hours.

Meetings will be held at Ford plants over the next few weeks to discuss the company's offer. Mr Tony Woodley, national officer for the Transport and General Workers' Union, admitted that there were differing views among Ford workers over whether to accept the offer, which the company insists is final.

Workers at the Ford engine factory in south Wales have voted to accept the deal but conveners from the plant at Dagenham in east London reported that workers were against the offer.

Earlier, Mr Alex Trotman, the Briton who is chairman of Ford in the US, warned the UK workforce that a strike would send "a bad signal to those of us who take pride in our British workers' efforts to improve quality and productivity toward achieving world-class competitive levels".

"If we retreat to the behaviour of the 1970s, the economic security of our employees will certainly be placed in jeopardy," he said.

Trust in politicians 'sinking fast'

By Andrew Adonis, Public Policy Editor

Public distrust of politicians and the institutions of government is high and rising, says the latest British Social Attitudes survey. It shows firm backing for a separate parliament for Scotland, a reformed House of Lords (the unelected upper House of Parliament) and a greater role for the courts in limiting government powers.

On Britain's role in Europe, which is sharply dividing the governing Conservative party, there is overwhelming support for continued membership of the European Union although attitudes towards towards greater integration are finely balanced. The survey of about 5,000 people by Social and Community Planning Research, an independent research institute, finds "an apparent crisis of confidence in British politics and politicians".

Nearly 70 per cent of respondents said Britain's system of government could be improved significantly, up from 49 per cent in 1973. Barely a quarter expressed confidence that governments generally put the national interest above party interest, and only 9 per cent said they trusted "politicians of any party to tell the truth when in a tight corner". The authors of the report based on the survey findings conclude: "The British public appears now to have less confidence in the ability of its political system to respond to its wishes than has ever been recorded before."

There appears to be greater confidence in local than national government. Nearly one-third of respondents said local councillors could be trusted "to place the needs of their area above the interests of their party".

However, the report argues that in spite of the growth of distrust, there is little evidence of growing public disaffection from the democratic process. The survey found continued high levels of willingness to protest through official channels, such as signing petitions and writing to MPs.

On constitutional reform, nearly half of respondents favoured a Scottish parliament within the UK, while only 28 per cent supported the status quo. There was 50 per cent backing for a reformed House of Lords, with one-third against – an almost exact reversal of the balance of opinion in 1983. There was little support for abolition of the monarchy, but the proportion regarding the institution as "very important" is falling.

UK NEWS DIGEST

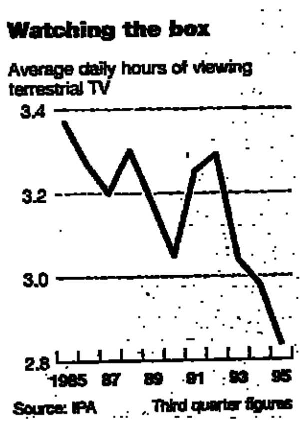
Virgin TV wins right to review of licence award

Mr Richard Branson's Virgin Television company yesterday won the right to a full review by a judge of the Independent Television Commission's award of the licence to operate Britain's fifth terrestrial television channel. Virgin was one of two of the four bidders for the Channel 5 licence which were failed on the quality of their programme offerings. UKTV, the highest bidder, also failed the programme quality threshold. Virgin bid £22,002,000 a year for the Channel 5 licence, the same as the winner, Channel 5 Broadcasting.

The licence gives the right to broadcast to around three-quarters of the UK population. Channel 5 Broadcasting, a consortium made up of MAI, Pearson (owner of the Financial Times), CLT of Luxembourg and Warburg Pincus, the US investment bank, won as the highest qualified bidder.

Virgin now intends to seek full disclosure of all documents relevant to the ITC's decision. *Raymond Snoddy*

Audience numbers decline



The British are watching less television – down from 3.37 hours hours a day in the third quarter of 1985 to 2.84 hours in the same quarter of this year. The figures have been compiled by the Institute of Practitioners in Advertising, which is concerned that less TV watching means less exposure for advertisements. When satellite and cable channels are included, viewing stands at just over three hours, but the overall long-term trend remains downwards, reports the IPA. Viewing losses are being suffered by the larger channels, ITV and BBC1, while Channel 4, BBC2 and the cable and satellite channels are growing. Analysis of viewing suggests that, of those adults watching TV who are in professional and managerial jobs, 36 per cent watch ITV and 37 per cent BBC1. *Diane Summers*

Industrial heartland downbeat

Failed hopes of orders in the summer have led companies in the west Midlands, traditional heartland of UK manufacturing, to scale down expectations of higher profitability.

The latest business survey of the region, involving more than 1,000 companies, has found "a clear collapse of business confidence" and "a marked deterioration compared with six months ago". The collapse of confidence is "the most dramatic for five years". The survey, by the Warwick and Wolverhampton Business Schools and Price Waterhouse, the accountants, found 65 per cent of companies experiencing higher sales and 18 per cent falling sales. Six months ago 73 per cent of companies reported higher sales. There has been a fall to 61 per cent in companies reporting bigger order books. Six months ago the figure was 70 per cent. *Paul Cheeseright*

Accounting changes proposed

Companies will no longer be able to smooth out their earnings over a period of years by the use of "provisions" – one of the worst abuses of so-called creative accounting – under plans suggested yesterday by the Accounting Standards Board. The board's discussion paper, which may form a new accounting standard, is likely to spark a fierce debate with many companies claiming that its proposals will rob management of flexibility. Sir David Tweedie, chairman of the board, said: "This is an important area of accounting where past practice has, in some celebrated cases, caused serious concern." He said the board's views matched those of Australian, Canadian, US and international standard-setters.

Jim Kelly, Accountancy Correspondent

Ferry flotation pledge refused

The British government yesterday said it would try to improve safety standards on cross-Channel ferries to France but refused to set a minimum time for ferries to stay afloat after an accident.

The Department of Transport gave its response to a parliamentary committee's report into ferry safety published last July. Sir George Young, transport secretary, said he supported the committee's concerns but could not agree with all its recommendations for technical and practical reasons. A Labour member of the committee, Mr Paul Flynn, said the government continued to put its faith in international action which had failed in the past and would continue to fail.

Charles Batchelor, Transport Correspondent

Slaughterhouses found wanting

Almost half of all slaughterhouses inspected by government inspectors in September were failing to observe guidelines to stop the spread of BSE (Bovine Spongiform Encephalopathy), or mad cow disease, it emerged last night. Mr Douglas Hogg, agriculture minister, said he viewed the lapses "most seriously", and said a number of prosecutions were under consideration. The state veterinary service visited 193 slaughterhouses in September and found failings in the handling of specified offals in 92 of them, Mr Hogg said. Although many lapses were described as "comparatively mild", in several cases pieces of spinal cord were left attached to carcases after dressing. *George Parker, Westminster*

West guilty of ten murders

Ten-times murderer Rosemary West was jailed for the rest of her life yesterday after being found guilty of all the 'House of Horrors' killings – a case which has gripped Britain for the past year. The jury of seven men and four women at Winchester Crown Court announced that it had found her guilty of seven outstanding murder charges. West was yesterday found guilty of murdering her eight-year-old stepdaughter Charmaine, 16-year-old daughter Heather and her late husband's pregnant lover, 18-year-old Shirley Robinson.

The dismembered remains of all the victims were found in the cellar, house and garden at Rosemary and Frederick West's former home at Cromwell Street, Gloucester. Frederick West committed suicide in prison on New Year's Day this year. Mrs West's lawyer said: "She contests the verdicts and we are actively pursuing an appeal on her behalf."

TECHNOLOGY

Specialist investigators are battling against increasingly sophisticated software piracy, writes **Nancy Dunne**

Technocops scent blood

The US software industry was jubilant last week at the arrest of Captain Blood, aka Thomas Nick Alefantes, a software pirate in Los Angeles who for five years ran a mail order business selling illegally copied software.

About $1m (£600,000) in counterfeit software, three computers, high-speed duplicating equipment, a CD-Rom Write machine, a shredder, printers, two guns, handcuffs and $15,000 in cash were seized.

The arrest was the result of work by a private force of technocops maintained by the US Business Software Alliance and its member companies to wipe out piracy of their products in 60 countries.

Little is known about these investigators and their operations. They are believed to be assisted by US intelligence agencies. Many are lawyers or former prosecutors who are street-smart, steeped in the culture of the countries they monitor and conversant in the bits and bytes idiom of the industry.

They are up against thieves who are more sophisticated than their counterparts in more traditional criminal fields of endeavour. "Software piracy is the growth crime of the future," says Lawrence Morrison, deputy district attorney in Los Angeles.

US authorities fear that software thieves are becoming increasingly violent, that they will begin ripping each other off and that gang warfare may erupt. Police raids have found caches of weapons and bullet-proof vests along with the counterfeit software.

According to Morrison, software pirates in California are frequently being linked with Asian organised crime groups. One recent arrest was made in connection with a kidnapping: sheriffs found guns, explosives, over 40,000 copied software programs and 50,000 holograms.

Los Angeles police will not say how they traced the notorious Captain Blood. Morrison says the "captain" escaped arrest for years through the creation of an "electronic wall" built with call forwarding, toll free numbers and voice mail. The numbers were frequently changed to avoid detection.

In the US about one-third of all software is thought to have been pirated, according to the Business Software Alliance, which co-ordinates antipiracy campaigns by US companies worldwide. The rates are believed to be far worse overseas.

The BSA refuses to say what its member companies are spending to combat the thefts, but they have set up large staffs in Asia and Europe and maintain 35 hotlines for informants.

"Let's just say piracy losses are put at $15.2bn a year," says Diana Smiroldo, for the BSA, implying that what is spent in pursuit of pirates pales in comparison.

The US industry supplies 75 per cent of the world's software. The industry's strategy is to apply pressure for action against pirates on a number of fronts. The US trade representative's office overseas often leads the way, brandishing Special 301, a US statute requiring retaliation if countries fail "to make progress" against intellectual property rights violators.

The trade office keeps up the pressure on reluctant governments, bouncing them from "priority watch" lists for the worst violators to "watch" lists for a second tier and back again, if necessary, conducting "out of cycle" reviews to check progress at regular intervals. But sanctions are rarely applied.

The odds seem stacked against the technocops. "You go out there and try to cobble together a campaign with what you have to work with," says Robert Kruger of the BSA. "Sometimes it is inadequate laws, lack of co-operation by authorities, public corruption. There is no level of public awareness or sympathy for what you are doing. Sometimes there is outright hostility.

"In Russia and the former communist countries, there was no tradition of protection for physical property, much less intellectual property, until five or 10 years ago. It is not just a process of getting laws on the books but an educational process. You have to develop respect and awareness for law. You have to encourage the growth of the domestic industry."

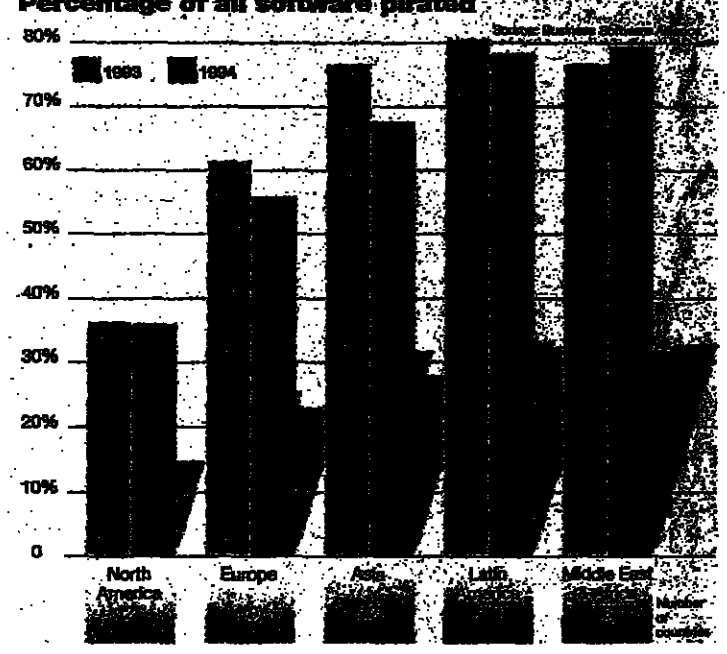
Once there is an indigenous industry, authorities are likely to take enforcement seriously.

The US industry's efforts in the Czech Republic have been the most successful in eastern Europe, says Eric Koenig of Microsoft in Paris. There the piracy rate has fallen from an estimated 95 per cent to about 75 per cent in three years.

Jan Muhlfeit, marketing manager for Microsoft in the Czech Republic, has been on the case for four years. For the first two years he and other company representatives did nothing but public education. Then they began to train police in Prague to spot fraudulent software, and the Prague police trained officers in other cities.

Spot the fake

Percentage of all software pirated



It is a constant struggle to send the message that copyright theft is a serious violation and that pirates must be made to pay. One recent case in the Czech Republic involved the seizure of 25 computers producing illegal software. These were traced to a public market in Ostrava, where illegally copied games and programs were openly on sale. Twenty people were arrested and confessed. Their sentences last month were only probationary with the threat of prison if they offended again.

The US government and industry have made a tremendous effort in China, where it is believed that 98 per cent of all software in use is pirated. Trade representatives have twice gone to the brink threatening sanctions. Early this year Beijing agreed to a detailed plan of action, which has produced numerous raids on retail outlets.

Stephanie Mitchell monitors China from Hong Kong for Autodesk, a leading publisher of computer-automated design programs. She is cryptic about her pursuit of pirates. "Tracking them down is difficult," she says. "You have to infiltrate the chain of distribution . . . have people impersonate people . . . play a detective sort of game."

Her investigators continually survey retailers. She sends out people to be "plausible customers". Once piracy is detected, the evidence must be notarised to be accepted in court. She has to "drag" the notaries along and "stash them around the corner" while conducting raids.

"It costs us a lot of time and effort to co-ordinate with authorities," she says. "They still have the misconception that once you do the raid, you're done." She also pushes for public destruction of seized property.

Cases are rarely brought to court, so she has to push too for prosecutions. "There is a deterrent effect from people walking in and seizing your stocks," she says. "But you need fines and closures or it's the Augean stables all over again. It doesn't help if these don't turn into criminal and civil court suits."

There are always excuses for inaction. "They [the Chinese authorities] say prosecutors need to be trained about software . . . they say this is not a priority. There is no political will or interest there," she says.

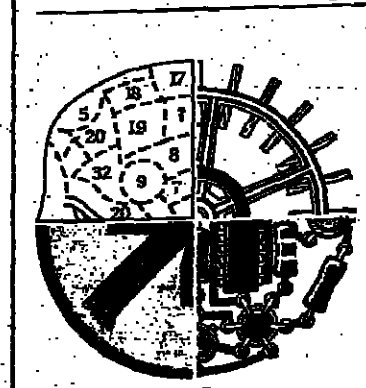
About one month ago, the industry won a partial verdict in a civil case in Beijing. This took more than a year, and the court concluded there had been only one offender in a big Beijing retail store. It has yet to decide on damages.

"The encouraging thing is that this time last year you couldn't get any authority anywhere to do a raid or enforcement," says Mitchell. "It takes months of planning. It costs a lot of money but you can do it. And there are still a lot of problems with follow-through."

Kruger says the industry is guardedly optimistic about China. "We would like to see some of the progress promised to us actually occuring. There have been some steps taken but there is still a long way to go."

The industry, which creates products at an ever faster pace, recognises that it will be years before effective controls are in place in the developing countries, Kruger says, but its options are limited to persistence and patience.

Worth Watching · Vanessa Houlder



Robot reaches new heights

Cleaning aircraft requires speed and precision. The world's largest robot – which has a 33m arm – has just passed the test with flying colours.

The prototype of the Skywash 33 robot was found to clean the outside of a Lufthansa aircraft more thoroughly and four times faster than a conventional team of cleaners.

The robot is controlled by software and sophisticated sensors that make automatic adjustments when necessary.

The robot was developed by the Fraunhofer Institute for Manufacturing Engineering and Automation in Stuttgart and Putzmeister, a construction equipment manufacturer.

Fraunhofer Institute: Germany, tel 7119701240; fax 7119701006.

'Delocalised' atoms in electrical move

A previously unknown form of hydrogen has been detected at the Rutherford Appleton Laboratory in Oxfordshire.

Hydrogen usually binds closely to another atom. But hydrogen ions have been detected in a "delocalised" state within manganese dioxide, a compound used in batteries. Scientists believe that this form of hydrogen has unusual electrical properties, although these have not yet been fully investigated. Potentially, they believe it could lead to the development of rechargeable dry cells, which might be cheaper, lighter and less polluting than conventional alternatives.

Rutherford Appleton: UK, tel (0)1235 821900; fax (0)1235 446665.

Smart purse holds cash replacement

Visa, the payment card system, has launched a full-scale pilot of its pre-paid electronic purse smartcard in Australia.

The card, called Visa Cash, has an integrated circuit chip which keeps track of units of value and is intended to be a safe, quick and convenient replacement for cash for phone calls, groceries, parking, petrol and so on.

The trial, which involves a consortium of five Australian financial institutions, will involve more than 1,000 merchants. The project will include disposable cards, reloadable cards and the addition of a Visa Cash component on to any Visa card or proprietary bank card.

Another Visa Cash pilot will take place at the summer Olympic games in Atlanta next year.

Visa European Union: UK, tel (0)171 9378111; fax (0)171 9370877.

Phosphate fertiliser to freshen lakes

A small amount of phosphate fertiliser can breathe new life into lakes polluted by acid rain, according to an experiment on a Cumbrian lake by scientists at Lancaster University and the Institute of Freshwater Ecology.

Although large amounts of phosphate would damage the lake, small amounts help plankton assimilate nitrate which reduces acidity. The scientists believe it is cheaper than conventional treatment with lime and has less impact on the underlying chemistry of the lake.

IFE: UK, tel (0)15394 42468; fax (0)15394 46914.

Stronger ceramics in dental crown

Dental crowns usually have metal bases that have a tendency to show up as a grey line by the patient's gums. Crowns made entirely of ceramic usually look better, but lack strength.

A strong, translucent material called Techceram has been developed which promises to overcome existing problems with all-ceramic crowns.

The ceramic base, which is made using alumina powder, is heat treated so that it has up to three times the strength of traditional ceramic crowns. A porcelain finish is then added.

The technology was developed by Ceradent, a Derbyshire company that was funded by DTI Smart awards.

Ceradent: UK, tel (0)1298 872628; fax (0)1298 872223.

Cinema/**Nigel Andrews**

Gangsters get re-routed

SHANGHAI TRIAD
Zhang Yimou

GOLDENEYE
Martin Campbell

THE SCARLET LETTER
Roland Joffe

THE BASKETBALL DIARIES
Scott Kalvert

L'AVVENTURA
Michelangelo Antonioni

This is a week to try the critic's soul. What on earth is he to lead with? The masterpiece from the east is up against the hot-copy hokum from the west. It is Pierce Brosnan versus Gong Li; guns, girls and gags versus gilded film-making. *In sum*, *GoldenEye* versus golden eye.

Zhang Yimou's *Shanghai Triad* holds its own with Bond anyway being part action thriller (the other, more enthralling part is reaction thriller). At Cannes this film fooled many into thinking that China's best-known director, after years of being banned by Beijing for supposed subversions like *Ju Dou* and *Raise The Red Lantern*, had sold out to genre cinema. But if this is just a gangster movie, Conrad's *Lord Jim* is just a sea yarn.

The comparison is chosen. *Shanghai Triad* is about a human being's fall from grace and last, air-clawing attempts at redemption. "Jewel" (superbly played by Gong Li) is a cabaret singer and crime boss's moll in 1930s Shanghai. She lives in a world so curdled with opulence – courtesy of Zhang's red-and-gold colour scheme, multiple mirror play and voluptuous camera glides – that she and we are hardly stirred by all the offstage shootings and killings. Or we register them only in the distracted mirrors of the characters' eyes.

But the eyes have it in this movie. They belong not just to Jewel, but to the 14-year-old boy (Wang Xiaoxiao) who becomes her servant and our seeing-eye mascot. Like a Chinese *Billy Bathgate*, he magnifies for us the story's mysteries. Who is Jewel's secret lover? Is she as vain and venal as she seems, cocooned in her luxury boudoir or strutting her campy-erotic night-club stuff? And why – for the movie's second half – do the gang leaders and retinue flee to a near-empty island? Here the whispering rushes and dank, watercoloured skies announce a different world, and a grim re-routing of the story into betrayal, death and nihilism.

In this film about signs and signposts, it is the character with sealed-up eyes who sees most: the boss, a sort of cockroach in dark glasses. As in other Zhang movies an ageing patriarch is the desiccated, brutal emblem of an old order: though here – is it a small gesture by the director towards political correctness? – he has an odd resemblance to nationalist leader Chiang Kai Shek, who actually belonged to one of the 1930s triads.

The film's first half may seem standard-issue gangsterdom to myopic audiences. But how blind and deaf can they be to ignore the dazzling textural menace of the island scenes? Here Jewel plays at re-finding her humanity. She befriends the peasantwoman and daughter who are the sole native inhabitants. But she finds that her touch condemns, her power kills and her will to self-regeneration, like that of Conrad's Jim, is blocked at source.

By the final scene – the day after a stormwashed showdown between main characters in which Zhang uses the elements to paint every flickering emotion on his actress's face – the story has petrified into tragedy. Zhang knows that the artist's cruellest coda is the simple full stop. It leaves the main characters alive yet not alive. "Life goes on" is another way of saying the life they wanted can never be had.

★

So to Bond, and back to earth with a bump. Or in this case, courtesy of the traditional pre-credits showstopper, with a jump. *GoldenEye* never improves on its opening. What more *can* you do with your leading man after he has bungee'd down a sheer dam wall, blown up a chemical weapons factory and then sky-dived into a runaway plane?

After the *hors d'oeuvre*, we get the Cold War offcuts. Renegade Russkies, stolen nuclear devices, giant satellite dishes rearing from lakes, foreign bimbos served with funny innuendoes. "How do you like it?" asks Bond, referring to a drink; "Straight up, with a twist," purrs the Mata Hari.

All this is lent true style and tartness only by Dame Judi Dench as "M"; and even she could bite into things a bit more. I would have liked less Stella Rimington and more Lady Macbeth. As for Brosnan, we wait in vain for a character to appear and replace the smarmy cut-out we have met in pre-publicity. We know 007 is a tailor's dummy wired for wisecracks. But Connery and Moore suggested wit and mischief in reserve. Brosnan seems to have signed on at the charm clinic only to come away with a personality by-pass.

Nathaniel Hawthorne's *The Scarlet Letter* is all about sex, religion and defiance, therefore a dream novel for Hollywood slogan-writers. "A girl, a Puritan society and a love compelled to spell its shame!" That is not on the poster for Roland Joffe's movie, but it could be. Heaving bosoms are on show, plus period colour, plus dashingly declaimed Hollywood-antique dialogue. As the adulteress and her priestly lover, Demi Moore and Gary Oldman sigh, gasp and elocute a treat.

It is in sooth better than it could have been. A brilliantly convincing 17th-century New England township has been created: houses like cliffs of grey brick; barns of blackened timber; streets of skirt-lapping mud. And Joffe, after the preachy grandiloquence of *The Mission*, is developing a real eloquence with the camera. Look at the elliptical, quicksilver cutting of Oldman's sermon.

In one character too, Robert Duvall as an Indians' captive who "goes native" and becomes the story's roaming he-devil, the film takes off towards a Gothic world worthier of Poe or Melville. If Hawthorne is turning in his grave, there may be a little excited pleasure mixed in with the pain.

The Basketball Diaries should render everyone comatose. Based on Jim Carroll's autobiographical chronicle, this is a health warning masquerading as a movie. Don't mix sport with hard drugs, it declaims. For what does Leonardo DiCaprio as the young basketball-playing Carroll do? He shoots, he scores; but not at all in the way that trainer Bruno Kirby intends.

Scott Kalvert directs this pills-and-needles melodrama with enough *schadenfreude* to furnish a hundred bad TV movies. Even during electricity strikes New York was never this shadow-stricken. And DiCaprio, so good in *What's Eating Gilbert Grape?*, has been encouraged to yowl and scowl like a little-league James Dean.

The yowling is all internal in Antonioni's *L'Avventura* (1959), surely the least Italianate Italian movie ever. No one throws his/her arms around or cries "Mamma Mia!". Instead lovers Gabriele Ferzetti and Monica Vitti (looking like Princess Di redone by Botticelli), suffer like monochrome saints against the stunning scenery.

From the island of volcanic rock where a main character inexplicably disappears to the Sicilian towns with their crazed, doomed eruptions of Baroque architecture, Antonioni suits image to emotion, place to peripeteia. In 1972 this was voted the second greatest film ever made, after *Kane*. Now that it is restored and revived, it may be time to vote it back into the pantheon.

Better than a Bond girl: Gong Li, superb as the crime boss's moll in 'Shanghai Triad'

Opera/**Richard Fairman**

Fedora returns

How prescient of Giordano to write the first jet-set opera. In *Fedora* his characters set out on a tour of the world's most fashionable places, mingling with the aristocracy in St. Petersburg, partying with high society in Paris, and finally relaxing at a mountain retreat in Switzerland while they wait for the dénouement.

Fedora, with its lightweight characters and total absence of any ideological baggage, is back at Covent Garden. The production, first seen here last year, hails from La Scala, Milan. At Tuesday's performance the scheduled baritone fell ill and a replacement was flown in from Vienna, arriving just an hour before the start. Placido Domingo came from Paris, where he had been singing *Tosca* at the weekend. We should count ourselves lucky they did not give the performance at the airport.

The marvel is that *Fedora*, a melodrama that needs all the help it can get, should have fared so well. It seems unlikely that the Royal Opera will bring this production back year after year as it would an opera by Verdi or Puccini, even given the fact that singers find its music so congenial; but that matters little when this cast has given so strong, almost noble, an account of it.

The opera stands or falls by its leading couple. Maria Guleghina made a good choice in the role of the Princess Fedora Romazov for her Royal Opera debut. Tall, with a dark allure, she looked every inch a Russian noble lady torn between love and revenge in high places. This is one of the new generation of big voices which can fill the theatre, but she also has luminous, soft singing at her command. The style of late 19th-century verismo suits her better than the Verdi in which I have heard her before and Fedora's anguished outpouring of her problems came across with right regal, high romantic grandeur. Thank heavens princesses in the 1890s did not just give television interviews.

Even a celebrated Otello was challenged to keep up with the sheer volume of Guleghina's singing. Placido Domingo was nevertheless in good voice, giving full value to Count Loris Ipanov's top notes, phrasing his music generously, and striking an ideal balance between musicianship and excitable, verismo hyperbole. It is difficult to imagine a more satisfying portrayal of the role today. The only disappointment is the fault of Giordano, who produces the tenor's big aria out of nowhere and throws it away after one verse. Puccini never would have wasted an opportunity like that.

If the main characters seem opaque, the supporting roles are no more than shadows. Georg Tichy sang De Siriex sturdily and tried to energise the role with some of the adrenalin still pumping following his last-minute dash from the airport. Rosemary Joshua managed to get some sparkle into Olga's song about champagne, even though the music is as flat as could be. Jeremy White sang Gretch the police officer with due brusque authority. As before, Edward Downes was the conductor. His innate feel for the style is unarguable, if only the tension could be one notch higher.

The La Scala production is not unpleasing, though it is four-square in design and creaks occasionally as the stage revolve goes around – much like the opera itself. Still, this is as convincing a performance as *Fedora* is likely to enjoy. There were a few empty seats on Tuesday, so if it has always seemed impossible to get in to see Domingo before, this could be the opportunity.

Further performances until December 2, the last with José Cura as the tenor.

Concerts/**Stephen Pettitt**

St Ceciliatide Festival

Stationers' Hall, the setting where Purcell's *Ode for St Cecilia's Day* was first performed in 1692 has rarely been used for public concerts in modern times. But now, with the establishment this year of the St Ceciliatide International Festival, the period neglect seems to be over. This visually elegant space, small and perfectly proportioned, has warm and clear acoustic properties ideally suited to the making of baroque music, grand or intimate.

Whether the performance is liturgical, or non-liturgical as here, Monteverdi's Vespers of 1610 is a wonderful thing. The final Magnificat was given at a lower pitch (with ample musicological justification) than written by I Fagiolini, a lively young group of players and singers who ensured that the music's inventiveness hit one between the eyes. The group's conductor, Penelope Rapson, who is also the festival director, chose two fine countertenors to sing the highest solo parts. Both Nicholas Clapton and James Huw Jeffries easily reached top Gs and their very different but highly appealing voice qualities – Clapton's rich and fulsome, on the contralto-ish side, Jeffries's brighter, like a true sopranisto – complement each other well. But both threatened to compromise the music's spirituality through over-assertive personality. The three tenors – Philip Cave, Nicholas Hurndall-Smith and Matthew Brook – understood this, as their rapt and devout delivery from the gallery of the antiphon Duo Seraphim perfectly illustrated.

Rapson's technique is as yet slightly awkward, hampered by the superfluous large baton she uses. Her beat is admirably crisp and consistent, and helped the choral psalm settings to achieve their incisiveness. But she needs to learn to gesture phrase and nuance as well as pulse. Nevertheless she brought out the work's vibrant and deep colours admirably, helped by some brilliant violin and cornetto playing and by the sensuous cantabile lines of the trombones.

The following evening Joshua Rifkin's Bach Ensemble came from Boston for a rather short-measured programme of, as it happened, music by Bach. This is a suave, tightly knit group that operates on the scholarly justifiable and economically desirable one-to-a-part basis, and they matched the intellectual and physical challenges set by the music every inch of the way.

Stephen Hammer and Linda Quan despatched the outer movements of the C minor concerto for oboe and violin (deconstructed, as it were, from the later arrangement for two harpsichords) with crisp vitality. Christopher Kreuger was eloquent and, where required, dashing in the B minor Overture (otherwise the Flute Suite). And Rifkin himself tore through the gigantic harpsichord solo in the first movement of the Fifth Brandenburg Concerto without adjusting the pulse – and thus the demands upon his formidable technique – one iota, though I confess I missed the usual grandiose rhetoric of the passage just a touch.

Sponsored by the Financial Times and others.

Theatre/**Alastair Macaulay**

A bashed-up family

Bit by slow bit, *Bruises* – the new play by Judy Upton at the Royal Court's Theatre Upstairs – traces a genealogy of domestic violence. Dave (it emerges) has been bashing his son Jay over 20 years, whenever the drink and other things get too much for him; and in turn Jay has grown up to bash women; and two of these women are passive and fond enough to hang around to become part of this bashed-up family. Phoebe, after a brief fling with young Jay, starts a serious affair with Dave; and just at that time Kate arrives and soon commences an affair with Jay.

None of these ingredients are foreign to the British stage. If *Bruises* has novelty, it is because, in tying them together, it shows how family violence is like incest. And if *Bruises* has interest, it is because it shows fairly convincingly how these things happen among unglamorous working-class people in somewhere as unglamorous as Worthing. Dave and Jay are Irishmen who run a seaside bed-and-breakfast. Phoebe has had three husbands. Kate has come to town in quest of her mother Myrtle. Myrtle has eloped to Worthing with a new man. All which makes us feel that people come to Worthing to leave their ordinary lives behind: and that seriously interesting real life happens elsewhere. Still, these petty lives in this drab town of Worthing certainly have their grim realities.

Billy Carter, playing Jay, graduated from acting school in July and is making his professional debut, but he catches very surely the self-contradictions and needs and psychological techniques of this touching, even charming, young Irish thug. Upton's writing is at its keenest with this central character. Jane Howell has directed Carter so well that he makes each scene persuasive. The other four actors also contribute well characterised performances: Stephanie Buttle as the vacillating young Kate, Patricia Brake as her pathetic, affected mother Myrtle, Ian Redford as the hopeless, jealous, but almost sympathetic alcoholic Dave, and Anna Keaveney as the wry and seasoned Phoebe.

Judy Upton's *Ashes and Sand* won the George Devine Award, and *Bruises* has already won her the Verity Bargate Award. And yet ... in truth, *Bruises* feels as if it were written more for a TV screen than for the stage. Its numerous short scenes frequently end in minor crises or cliffhangers; and the locale keeps shifting back and forth from scene to scene. Did Kate go all the way with Jay? We are left wondering, as the lights fade on their first date, and before we see them at breakfast. How badly has Dave bashed Jay this time? We wonder, as they leave the stage, and as we watch the lights go up on Myrtle's hospital bed. And so on.

We wonder, and we follow what happens. The most intense questions that drama of this kind leaves me wondering are: why does this remind me of *Coronation Street?* And *EastEnders?* Any theatre that makes me wish that I were at home watching TV is doing its job wrong.

Theatre Upstairs, Royal Court, London SW1

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Schoenberg Kwartet: with violinist Rainer Kussmaul and pianist Frédéric Meinders perform Chaussons "Concerto for Violin, Piano and String Quartet"; 11am; Nov 26

■ BERLIN

CONCERT
Philharmonie & Kammermusiksaal
Tel: 49-30-254880
● Das Sinfonie-Orchester Berlin: with conductor Jiri Malat and pianist Lilian Gern perform Beethoven's "Piano Concerto No.2", Haydn's "Symphony No.92" and Mozart's "Symphony No.41"; 8pm; Nov 25
DANCE
Deutsche Oper Berlin
Tel: 49-30-3438401
● *Die Schneekönigin*: by Ray Barra. The ballet company of the Deutsche Oper Berlin perform the world premiere of Ray Barras ballet, based on the fairy tale by Hans Christian Andersen; 6pm; Nov 25
OPERA & OPERETTA
Komische Oper Tel: 49-30-202600
● Werther: by Massenet. *Conducted by Shao Chia Lu and* performed by the Komische Oper. Soloists include Heidi Bronner and Manfred Fink; 7.30pm; Nov 24

■ BONN

OPERA & OPERETTA
Oper der Stadt Bonn
Tel: 49-228-7281
● *Don Giovanni*: by Mozart. Conducted by Shuja Okatsu and performed by the Oper der Stadt Bonn. Soloists include Michael Volle, Karen Notare, Hao-Jiang Tian and Stephen Bronk; 8pm; Nov 24

■ DUBLIN

CONCERT
National Concert Hall - Geoláras Náisiúnta Tel: 353-1-6711533
● National Symphony Orchestra: with conductor Kasper de Roo and pianist Michael Dalberto perform May's "Spring Nocturne", Mozart's "Piano Concerto No.20" and Beethoven's "Symphony No.5"; 8pm; Nov 24
● Song Circle: A Feast of Fauré: soprano Colette McGahon and pianist Margaret O'Sullivan with songs by Fauré and other French composers such as Bizet, Duparc, Messenet and Gounod; 1.05pm; Nov 24

■ GLASGOW

JAZZ & BLUES
Glasgow Royal Concert Hall
Tel: 44-141-3326633
● The Glenn Miller Orchestra (UK): with conductor John Watson and featuring singer Tony Mansell, The Moonlight Serenaders and The Uptown Hall Gang; 7.30pm; Nov 24

■ HELSINKI

CONCERT
Finlandia-talo - Finlandia Hall
Tel: 358-0-40241
● VII International Jean Sibelius *Violin Competition: the Helsinki* Filharmonia, conducted by Hannu Kovula, and the Radio Symphony Orchestra, conducted by Sakari Oramo, accompany the competitors in the violin competition; 6pm; Nov 27, 28, 29, 30

■ LEIPZIG

CONCERT
Gewandhaus zu Leipzig
Tel: 49-341-12700
● *Talich Quartet*: perform string quartets by Janácek, Bartók and Dvorák; 6pm; Nov 26

■ LONDON

AUCTION
Christie's Tel: 44-171-8399060
● Impressionist and Modern Paintings, Watercolours and Sculpture, Part I: including one of the two bronze versions of Constantin Brancusis "Le Commencement du Monde", as well as works by Monet, Picasso, Bonnard and Degas; 7pm; Nov 28
CONCERT
Barbican Hall Tel: 44-171-6388891
● *Grand Piano Classics: pianists* Rostal & Schaefer perform works by Gershwin, Debussy, Liszt, Rachmaninov, Grieg, Beethoven, Dvorák, Mozart and others; 3pm; Nov 26
Purcell Room Tel: 44-171-9604242
● Moscheles and his Circle of *Friends: soprano Elaine Barry*, mezzo-soprano Erian James and pianists Oliver Davies and Henry Roche perform works by Moscheles, R. Schumann, Fibich and Mendelssohn; 7.30pm; Nov 27
Royal Festival Hall
Tel: 44-171-9604242
● Philharmonia Orchestra: with conductor Carlo Maria Giulini and pianist Radu Lupu perform Mozart's "Eine kleine Nachtmusik" and "Piano Concerto in C", and R. Schumann's "Symphony No.3 (Rhenish)"; 7.30pm; Nov 25
St. John's, Smith Square
Tel: 44-171-2221061
● London Orpheus Choir and London Orpheus Orchestra: with conductor James Gaddarn, soprano Jacquelyn Fugelle, contralto Elizabeth Harley, tenor Brendan MacBride, bass John Morgan and *organist Leslie Pearson perform* Wesley's "Confitebor" and Beethoven's "Mass in C"; 7.30pm; Nov 25
St. Martin-in-the-Fields
Tel: 44-171-8398362
● Thames Chamber Orchestra: with conductor Keith Marshall perform Vivaldi's "The Four Seasons"; 7.30pm; Nov 24
Wigmore Hall Tel: 44-171-9352141
● Davide Franceschetti: the winner of the 1994 Guardian Dublin *International Piano Competition* performs R. Schumann's "3 Fantasiestücke Op.111", Brahms' "*Variations on a Theme of Paganini*, Books I & II" and Mussorgsky's "Pictures at an Exhibition"; 7.30pm; Nov 24
OPERA & OPERETTA
London Coliseum
Tel: 44-171-8360111
● Turandot: by Puccini. Conducted *by David Atherton and performed by* the English National Opera. Soloists include Sophia Larson, Edmund Barham, Janice Watson and John Connell; 7.30pm; Nov 25 (6.30pm), 30

■ MADRID

CONCERT
Auditorio Nacional de Música
Tel: 34-1-3370100
● Coro Nacional de España: with conductor Rainer Steubing-Negenborn perform works by R. Schumann, Gabrieli, Navarro and others; 7.30pm; Nov 24

■ NEW YORK

OPERA & OPERETTA
Metropolitan Opera House
Tel: 1-212-362-6000
● *Un Ballo in Maschera*: by Verdi. Conducted by Mark Elder and performed by the Metropolitan Opera. Soloists include Deborah Voigt, Dolora Zajick (Nov 25) and Francisco Araiza; 8pm; Nov 25; Dec 1

■ NICE

CONCERT
Opéra de Nice Tel: 33-93 85 67 31
● Orchestre Philharmonique de Nice: with conductor Klaus Weise and pianist Arnoldo Cohen perform works by Blacher, Rachmaninov and *Dvorák; 8pm; Nov 24, 25 (4pm)*
EXHIBITION
Musée d'Art Moderne et d'Art Contemporain Tel: 33-93 62 61 62
● Ernest Pignon-Ernest. Sudari di Carta: exhibition of drawings, prints and installations, made by this French artist between 1988 and *1995; from Nov 25 to Mar 3*

■ PARIS

THEATRE
Comédie Française, salle Richelieu Tel: 33 1 40 15 00 15
● *Phèdre: by Racine. Directed by* Anne Delbée, costumes designed by Christian Lacroix. Starring Catherine *Samie, François Beaulieu and* Martine Chevallier; 8.30pm; Nov 25, 26, 27; Dec 1

■ TORONTO

OPERA & OPERETTA
Jane Mallett Theatre
Tel: 1-416-366-7723
● Prima Donna: performance by *Mary Lou Fallis*, who combines opera with comedy; 8pm; Nov 24, 25

■ WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● National Symphony Orchestra Pops: renderings of 20th-century popular songs by pianist/vocalist Michael Feinstein; 7pm; Nov 24, 25 (8.30pm)

■ ZURICH

OPERA & OPERETTA
Opernhaus Zürich
Tel: 41-1-268 6666
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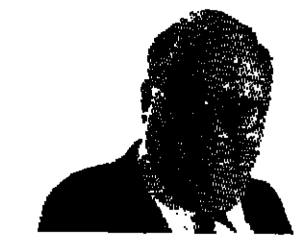

Economic Viewpoint · Samuel Brittan

The threat to sound money

Latest weak economic data show that central banks will discredit themselves if they try to base policy on inflation forecasts alone

There would be ample excuse for heading this article "The threat to growth", "The spectre of deficient demand" or something more spine-chilling.

The new third quarter demand data for the UK are notably weak. The national income in money terms (nominal gross domestic product) *rose by less than 3 per cent a* year in the third quarter of 1995. This is well below the 5 per cent rate of expansion which the Bank of England itself said is consistent with underlying real growth and inflation at or below the official target.

The detailed composition of demand makes matters worse. Indeed the economy only performed as well as it did because stocks shot up. If stocks had risen at the 1994 rate, Nominal GDP would have been even weaker and real output would have fallen, amid headlines of renewed recession. *Such a fall is* indeed quite possible while the stock overhang is worked off.

Nor is the UK an isolated case. *J.P. Morgan gives esti*mates in its World Financial Markets of how European real growth has slowed to an annualised rate of 1½ per cent, well below trend and certain to bring yet higher unemployment if continued. The bank blames the "lack of monetary ease outside the D-Mark block" and also a real appreciation of the continental currencies averaging well over 10 per cent since the start of 1994.

The evidence goes pretty deep. *Wages and prices in* many countries are rising a good deal less than might be expected. Inflation has come in consistently below forecast and so too has output – the two together suggesting a climate veering towards deflation, although not yet reaching it outside Japan. There are many reports that consumers *are refusing to pay higher* prices and search around, in marked contrast to the earlier habit of hoping that higher pay would see them through.

Nevertheless, I still hesitate to proclaim that inflation is dead and that stagnation is now the problem. The past fate of such prophecies should engender a little modesty. Halts for breath have often occurred during previous economic expansions. There was a supposed pause in 1986, only to have the figures revised *upwards so much that the* pause is barely perceptible in the revised data.

Moreover a strong case can be made – it is made by Morgan itself – that European growth will accelerate in 1996. The table contains a list of windfalls that should boost UK consumer income in the coming months. The US has already started to benefit from cheaper money, especially in the construction sector; and there are signs that even Japan is beginning to respond to financial stimulation. The benefits should begin to spill over into Europe, together with the effects of Bundesbank policy easing, which is probably not yet over.

Yet this is just the point in *the business cycle where pre*vious governments have thrown in the sound money towel and sowed the seeds for the next inflationary round.

We have to accept the absence of a crystal ball. My main worry is that the policy guidelines favoured by central bankers and their supporters will discredit sound money because of their one-sidedness. It is not necessary to predict gloom and doom to say this. If an upturn in the British economy is perceived to be due to the chancellor, Kenneth *Clarke, cutting interest rates* in the face of a hostile or a reluctant Bank of England, the effects will be similar. Three things have gone wrong with monetary strategy in several countries. These are:

- The concentration on an inflation objective to the exclusion of everything else;
- The reliance on forecasting models for gauging policy on inflation; and
- The excessive reliance on a forecasting methodology which all too easily suggests that production is growing too fast and needs to be hit on the head.

The great objection to sole reliance on a price target has been well put by Professor James Meade in his latest booklet *Full Employment Regained* (Cambridge University Press). If the price level is the sole objective, he remarks, "there will be an offsetting policy expansion only when and to the limited extent that unemployment has so grown as to cause a decline in the price level." A nominal demand objective has a more rapid feedback into policy.

Quite a lot of support for such an objective also comes from the British Treasury's panel of independent forecasters whose own individual con*tributions are more interest*ing than their averaged forecasts, which receive excessive attention.

David Currie of the London Business School points out that nominal demand growth will provide a warning signal on the upward side when expansion is fuelling rapid import growth, but the effects on inflation have not yet come through. He remarks that a nominal demand objective can be regarded as "equivalent to a monetary target, but free from the problems of velocity that have undermined the case for monetary targets."

Superiority of a nominal demand objective is also powerfully argued in a paper, *Growth With Stability*, to be *published next Monday by the* Labour-linked Institute for Public Policy Research (£7.50).

Enough has perhaps been written on the futility of relying on forecasts in general. But probably the greatest threat to political support for sound money comes from the particular forecasting model for inflation almost universally in vogue. This focuses on the "gap" between actual and capacity output and the rate at which this gap is widening or narrowing. The main objection is our ignorance of how *far the economy is from a safe* rate of capacity utilisation and how fast capacity is growing.

Indeed the greatest danger to popular support for sound money will arise if it is seen to be a pretext for hitting the economy on the head whenever it shows signs of growth or for refusing to do anything to revive stagnant demand.

Meanwhile, the British chancellor's chances of sustaining demand by lower interest rates depend on the effect of the Budget on the foreign exchange as well as the gilt market. With sterling hitting all-time lows only this week, there is scant possibility of ignoring the exchange rate.

In the main it is the central banks of the larger and stronger *countries – above all the* US, Germany and Japan – who need to give a lead in maintaining nominal demand. In fact they tend to do this, despite delays, occasional backsliding and obfuscatory pronouncements. It is far easier to make sense of the actions of the Fed or the Bundesbank by supposing they are following a nominal demand objective than on the assumption that they are following either a rigid money *supply rule or an inflation* objective on its own.

Words, however, do matter. If believers in sound money do not find a way of stating their objectives in such a way as to show that they support sustainable growth as well, then there is a danger that popular support both for low inflation and independently account*able central banks* will wane dangerously. I don't remember who said: "God protect me from my [economic] friends; I can take care of my enemies." But how right!

UK demand growth dives

% changes on a year earlier

Source: Bank of England Inflation Report, updated

Potential 'windfalls' for UK consumers

Date effective	Event	Estimated size £bn*	% of income**
1995 H2	Lloyds Bank joining with Cheltenham & Gloucester Building Society	1.8	0.4
1995 H2	Lloyds Bank merger with TSB	1.0	0.2
1996 H1	Regional electricity company rebates	1.1	0.2
1996 H2	Abbey National takeover of National & Provincial Building Society	1.4	0.3
1997 H1	Halifax Building Society merger with Leeds Permanent Building Society and conversion to plc status	9.0	1.9

* At current prices ** Annual personal disposable income in 1994

BOOK REVIEW · Peter Martin

THE ROAD AHEAD By Bill Gates
Viking, £17.50 (accompanying CD-Rom: £9.99)

At home with Bill, Melinda and Jimi

Let's start with The House. Bill Gates's new dwelling, now being built outside Seattle is, after all, a more substantial presence in this book than the *author himself*: it merits 10 pages of description and two computer-generated drawings.

It will be a castle out of Beauty and the Beast. A visitor, his presence indicated by an electronic transmitter-pin, will find lights unobtrusively fading up to welcome him as he moves though the house. He will be surrounded, wherever he goes, by a cocoon of his favourite music; the temperature of each room will adjust to match his preferences; the pictures displayed on the banks of video screens set into the walls will be the ones he likes to see.

When the visitor enters a room where someone else is waiting, the house's computer system will arbitrate between the preferences of first-comer and *recent arrival, though* Gates has not yet decided on the rules to apply. (First-come first served? Least common *denominator?) Until the rules* are settled, the nervous guest should avoid being in the same room as Paul Allen, Gates's schoolfriend and co-founder of Microsoft. "Paul Allen is a Jimi Hendrix fan," writes Gates, so "a head-banging guitar lick will greet him whenever he visits".

The innovations planned for *the Gates house reflect his* book's persistent weakness: bathos. He has devoted years of planning and construction and much computing power to a house that will offer only slightly more comfort and convenience than any off-the-shelf executive residence. Similarly, though he describes with exemplary clarity the changes *in technology that are leading* to an "information age", the advantages he promises are breathtakingly banal.

You will be able to find out easily, he says, the answers to such profound questions as: "Is your bus running on time? What's a good recipe for halibut? Which store, anywhere, can deliver by tomorrow morning for the lowest price a wristwatch that takes your pulse?"

Still, the strengths of the book are the mirror image of its weaknesses. Because Gates seeks to appeal to a mass audience, it is written in a clear and comprehensible fashion. *The description of public-key* cryptography – the essential foundation stone of secure Internet communications – is masterly. *Precisely because the* language is pitched at the level of a reading primer, however, the thinking appears at first glance somehow impoverished.

This is an illusion. As it weaves its way through the interlinked stories of the dynamics of the personal computer revolution, the shape of the information age and the role of the technologies that will bring it into being, the book contains many insights.

The story of International *Business Machines'* dealings with Microsoft, for example, is both fair-minded and revealing. The description of "*market-driven compatibility*", in which standards are enforced by consumers rather than by official bodies, compresses much wisdom in a few paragraphs. And Gates offers a succinct summary of how advertising will work in the new era, including the intriguing possibility that advertisers will pay consumers directly for a few *moments of their attention*.

He provides some shrewd descriptions of how e-mail and video-conferencing work in practice. For example, in a networked company like Microsoft, "bad news almost always comes through on e-mail". And when a group of people in a room are conferring by videophone with a single person *elsewhere*, the distant person gets an undue share of attention. Of one such occasion, a video-conference with one of his long-established colleagues, he writes: "It was as if we were all glued to *The Steve Ballmer Show*. If Steve took off his shoes, we'd all look at each other's reactions." Life at Microsoft obviously has a character all its own (took off his *shoes?*).

Footwear apart, the book is characterised by a striking sense of balance and good judgment. Perversely, this makes it less interesting: wild statements are always more provocative than balanced ones, but Gates offers few hostages to fortune. When discussing interactive fiction, for example, he *points* out that few people would wish to substitute their own judgment for that of the author of narratives, since "you can't *simultaneously* control the plot and surrender your imagination to it".

Still, even though Gates tells readers right at the outset that this is not an autobiography, the most interesting aspects of the book are inevitably the phrases in which the author reveals a little of himself. Water skiing is one of his favourite sports. He loved the weepie novel *The Bridges of Madison County*. "When I have time," he writes, "I enjoy mak*ing special* greeting cards and invitations", adding pictures of the past year to a birthday card for his sister (he's looking forward to being able to add video clips too).

Heady as these pleasures are, nothing matches Gates's promises of entertainment to come. In the future, he says, "perhaps you'll hum a little tune of your own invention into a microphone, and then play it back to hear what it would sound like if orchestrated or performed by a group. Or see yourself walking down the runway at a fashion show, wearing the latest Paris creations adjusted to fit your body or the one you wish you had."

The frivolous minded reader conjures up, irresistibly, an image of life in The House, once Bill and Melinda, his new wife, have moved in. Perhaps the Forrest Gump prose conceals an exotic private life. One very much hopes so.

·LETTERS TO THE EDITOR·

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Technology effect on education

From Mr Keith Hudson.

Sir, I would thoroughly applaud Michael Prowse's article ("Endangered species", November 20) on the effects of modern communications technology on education.

As the author of a standard textbook on computer-assisted learning (*Introduction to Computer-Assisted Learning*, Chapman & Hall, 1984) in which I forecast much of what is now occurring on the Internet, it is my opinion that Prowse has described the *situation perfectly*.

Indeed, there are many university and "alternative" university projects on the Internet already, including one in which I am principally involved: *Interskills: a University of Future Skills*, the shell of which is already being constructed on the Net.

It is not just academics who must now fear and tremble. A great number of restrictive practices will be swept away in the coming years as the Internet reveals expert advice at little or no cost to all who wish to consult it. In a business capacity, I am involved, for example, in setting up a house design service for self-builders on the Internet which will, unfortunately perhaps, have a big impact on the attempt at restrictive practice by chartered architects (who, 30 years ago, needed only three years' training, but now it would seem require seven years' training!).

The speed and facility with which all these things will happen is bewildering to those *who are not acquainted* with the Internet.

Just as a small example, I happen to know that at this moment (12 noon, Monday November 20) a précis of Prowse's article will be read by several thousand academics in America, Canada, Australia, New Zealand, Germany, Denmark, India, Brazil and many other places before sundown.

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EU must trust new candidates

From Mr Shtilion Angelov.

Sir, In "Brussels keeps shut the gates to the east" (November 16), Lionel Barber points out that the admission of the central and eastern European candidates to the EU raises questions about the union's ability to accommodate such diversity.

These include security questions connected with the former Soviet republics and the scale of the economic adjustment confronting the different economies – which might not be able to cope with the competitive pressures and high standards of the EU's internal market.

Maybe this is all true. No one thinks that helping the former communist countries with their integration with the west is going to be an easy and risk-free task. But can you imagine what the consequences will be if nobody wants to take the chance? If it is 2005 at the earliest before Poland, the Czech Republic, Hungary and Slovenia can join the EU, what about countries such as Bulgaria? Or is there simply no hope for them?

What the eastern countries need now is trust, not someone that gives them charity and expects the economy to get better by itself and then to decide whether to open the gate and say "welcome".

Most of all, they need someone to show them how to make the most of the money given, how to produce efficiently and how to make the economy grow. But that someone must be big enough not to be afraid, and smart enough to help before it is too late.

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A programme to ensure re-election

From Prof Anne Showstack Sassoon.

Sir, If Mr Vaclav Klaus has a good chance of being re-elected prime minister of the Czech Republic ("Why Czechs will re-elect a champion of capitalism", November 21), it may be he has learned a few lessons from his neighbours to the north and south.

When I was lecturing in Prague last February, an older Czech colleague, no friend of neo-liberal economics, told me that he was able to live fairly comfortably on his pension, although foreign travel was only possible if he did translating to earn foreign currency. Commenting to a younger woman colleague, who does not have children, about the groups of infants I had seen in a local playground, she said to me, "We would no sooner do without nurseries here than we would do without hospitals."

Klaus is no fool. Starting with far less foreign debt per capita than either Poland or Hungary, able to earn foreign currency from the huge number of tourists who visit Prague each year and from Czechs who work in Germany, regulating the inflow of low paid workers from the east while maintaining the buying power of his own citizens, passing a harsh citizenship law which mainly works against the Romany who are increasingly marginalised, he has been careful to maintain the kind of social provision for the majority which might allow him to be re-elected.

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Real rate for German investor in US bond

From Prof. Willem H. Buiter.

Sir, Samuel Brittan's economic intuition is better than his arithmetic. In "Thinking the unthinkable" (November 16) he says a German investor *contemplating* buying a US government bond would expect the following: "the going international real rate of interest, PLUS a premium to cover the expected inflation rate in Germany, PLUS another premium or discount to cover the expected movement of the dollar, PLUS a risk premium to guard against this central expectation on either German inflation or the movement of the dollar being wrong".

This is wrong. The real rate of return achieved by said German investor would be the going international real rate of interest, PLUS the international rate of inflation (in dollars), MINUS the German rate of inflation (in marks), PLUS the percentage depreciation of the mark vis-a-vis the dollar. It is the international-German inflation differential that matters, not the rate of inflation in Germany alone. Another way of stating this is that the real rate of return to the German investor is the international real rate of interest plus the proportional rate of depreciation of the German real exchange rate vis-a-vis the rest of the world.

The expected real rate of return to the German investor would be the international real rate of interest PLUS the expected percentage real depreciation of the D-Mark, PLUS a premium (or a discount) for the real exchange rate depreciation risk. The real exchange rate risk premium can in turn be decomposed into a differential inflation risk premium (or discount) and a nominal exchange rate depreciation risk premium (or *discount*). More serious is Samuel Brittan's support for a federal balanced budget amendment in the US, which makes as much sense for resolving the fiscal dilemma as would a requirement that American males wear jockey shorts on their heads.

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FINANCIAL TIMES

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Thursday November 23 1995

No doubts on the Dow

Is it a robust cyclical recovery? Or is US industry seeing an unparalleled renaissance based on new technology, higher productivity and improved managerial competence? The investors who drove the Dow Jones Industrial Average through the 5,000 mark this week, pulling the FT-SE 100 Index into record territory in its wake, were in no doubt about the answers. After years of living under the shadow of Japanese manufacturing might, Americans have recovered their natural optimism and convinced themselves of a secular change in the way the US economy works. While it is true that investors expressed precisely similar sentiments before the Wall Street Crash of 1929, that does not, in itself, disprove the bullish case.

What remains odd is that fund managers outside the US have been so much more sceptical. They appear to believe that their US counterparts have performed the Alice in Wonderland trick of swallowing three unbelievable things before breakfast – namely, that the US budget will return to balance, the productivity miracle is real and retail investors, who have played a big part in driving up the market via mutual funds, are good at timing the market.

More fundamentally, there is a suspicion that notions of enhanced competitiveness sit oddly with a US deficit on the current account which topped $150bn last year. By historic standards real economic growth in the present cycle has not been particularly impressive: an upsurge in corporate profits has been achieved partly at the expense of labour and has come on the back of a period of extreme dollar weakness which has provided a prop for US exports.

Political upsets

There can be no denying that the strength of the bond market has played an important part in Wall Street's surge this year. For the moment all that can be said about the chances of a balanced budget being achieved by 2002 is that the odds have improved somewhat since the weekend. But there is plenty of time between now and 2002 for political upsets. The surprising thing is that markets which usually prefer not to take politicians on trust have permitted the US long Treasury bond yield to fall so far this year.

This provides an important clue to the real motor behind the equity market's record performance. The Japanese central bank, in its efforts to prop up its ailing domestic banking system, has been injecting liquidity into global markets at an impressive rate. Much of this liquidity finds its way into the US Treasury bond market. Other Far Eastern central banks have also been heavy buyers of Treasury paper, though in their case the motivation has been more to prevent the appreciation of their currencies against the dollar.

External liquidity

This is, then, a market which has been driven partly by external liquidity. Within the US, retail investors, many of whom appear not to be fully aware of the risk to their capital when investing in mutual funds, have also been pumping money into equities. This combined injection of liquidity has taken the market, in real terms, to more than 30 per cent above its level shortly before the 1987 stock market crash. On a number of yardsticks of value, prices are at historically high levels.

There are those who worry that any mild setback on Wall Street could turn into a rout. If you believe that the productivity improvement is cyclical not secular, and that valuations are indeed stretched, that is certainly plausible. Retail investors who are prepared to buy at today's levels are probably influenced by money illusion. If they knew that in 1985 the Dow was still at only half its level, in real terms, compared with where it was in January 1973, and that it took until mid-1993 to recover to the levels of the early 1970s, they might indeed make haste for the exit.

But when liquidity is the motor, turning points are impossible to judge. Those who are buying on the basis that capitalism in the 1990s has been reborn should be aware that the best buying opportunities this century were in the early 1930s and the mid-1970s. It was then that people feared that capitalism was coming to an end.

Competition regulation

No policy, please, we're British. That has tended to be the UK's response to suggestions that it bring its competition regulation more into line with that in Europe. This week Sir Bryan Carsberg, former head of the Office of Fair Trading, repeated his calls for a reform of UK competition authorities which would do just that. While some of his proposals are questionable, his overall point is correct: the issues which were left dangling in the government's 1992 green paper on abuse of market power have not gone away.

The 1992 paper was prompted by the government's recognition that the European single market, as well as continuing multilateral trade negotiations, demanded a review of competition policy, particularly where it intersected with trade policy. However, partly from uncertainty about how the single market and European competition rules would work in practice, the government chose the least radical of the options for reform, leaving many questions unresolved.

One, surfacing repeatedly this year, is the organisation of the UK's competition authorities. At present, the OFT has an investigative and prosecutory role. The Monopolies and Mergers Commission acts as judiciary in disputed cases. The Department of Trade and Industry has wide discretion over the action taken.

Right line

Mr Ian Lang, the trade and industry secretary, said this week that he would keep this tripartite structure, despite the recommendations of many, such as Sir Bryan, to merge the MMC and OFT. In this, Mr Lang has taken the right line. Combining the prosecutory and judicial functions in one body would be the wrong response to a well-founded concern: the perception that the OFT's powers are inadequate. Mr Lang's decision instead to publish a consultation paper early next year on strengthening the OFT's role is welcome. He should have proposed a comparable analysis of the MMC at the same time.

On its own, a discussion of these authorities' roles is not enough. Mr Lang's paper will not even touch a second, deeper question: whether the regulation itself is well-designed. There is increasing pressure for the UK to adopt the "prohibition" principle used in most of Europe and the US, which bans anti-competitive practices. Companies which are found to have infringed these rules are fined heavily, a practice believed to be a strong deterrent.

Businesses complain that the discrepancy between UK and European systems is increasingly troublesome. For that reason, ministers should take a thorough look at the case for harmonising UK and European policy.

Predatory pricing

Harmonisation is in itself desirable. But if the UK is to adopt European principles, it will have to find better answers to some of the questions raised by the European reliance on the prohibition approach. Contentious issues include the appeals procedure, the level of fines, and the adequacy of precedents. More important, there are also questions about how far the prohibition approach can be extended. Prohibitions on restrictive practices can be stated clearly enough to be useful and fair. Others, such as those on predatory pricing, are far more difficult.

The government's unwillingness to tackle such issues stems from its reluctance to add a substantial piece of legislation to the next year's agenda, as well as its nervousness of controversy. Revealingly, the government does not appear to see competition policy as a rousing popular cause in which it can portray itself as the consumer's champion, but instead fears conflict with industrial policy, particularly the desire to foster national champions. Ministers sometimes seem to lose sight of the aims of competition policy, which is to encourage efficiency and pass as many of those benefits as possible to consumers.

Tinkering with the institutional framework is an inadequate response to important, unsettled questions. It is three years since the government set itself the fundamental questions about competition policy – and it failed to answer them. It is time for a searching review, leading to fresh legislation.

More than a family affair

Scheherazade Daneshkhu and **Raymond Snoddy** explain why Granada's professional managers have the edge in their hostile bid for Forte

The first clue that television and leisure group Granada was about to launch a big takeover came last month – although no one realised it at the time – when Mr Alex Bernstein announced his retirement as chairman. The Bernsteins, the family that founded Granada more than 70 years ago, were finally bowing out.

Mr Gerry Robinson, Granada chief executive, moved up to chairman and Mr Charles Allen became chief executive: two professional managers were taking over the top jobs, and the decks were being cleared for yesterday's hostile bid for Forte, the hotels and catering group.

If the £3.3bn ($5.1bn) bid – vigorously opposed by Forte – succeeds, both men will devote their time to implementing what they believe is much needed change at Forte.

Mr Robinson says he first mentally targeted Forte eight years ago, because he doubted whether the transition from the founding generation of the Forte empire to the next would succeed.

His interest grew in 1994, when Granada failed to buy Gardner Merchant, the Forte-owned catering group. He says he was unable to meet Forte to discuss an offer. The decision had apparently already been taken to sell to management. "We would have offered more. 'Right,' I thought. 'I bet you that thinking runs right through the organisation,'" says Mr Robinson.

Granada's financial success since Mr Robinson took over gave it the confidence – and the support in the City – to make yesterday's bid, even if the company's recovery owed something to the end of the recession. When Mr Robinson took over as chief executive at Granada in 1991 and forced Mr David Plowright, the respected chief executive of Granada Television, into retirement, he received a fax from actor John Cleese denouncing him as "an ignorant upstart caterer". Mr Robinson, an open executive with an infectious laugh, invited Cleese to lunch. They have got on well ever since.

During the era of "the caterers", Granada Television, enlarged through the 1994 acquisition of London Weekend Television, has raised profits. Yesterday Granada announced that the operating profits for its television division in the year to September 1995 were £140m – the largest contribution from any part of the group. Total pre-tax profit was £351m.

It is such results that have given Granada's top management the self-assurance, almost the arrogance, to say they know how to run the Forte group better than the Fortes and squeeze more profit out of it – even though Granada has a mere 1,300 hotel beds at the moment, compared with Forte's 100,000.

"I know more about hotels than I knew about television when I took over at Granada," Mr Robinson says. He believes that running companies comes down to simple principles, which include choosing the right people – usually from within the company; getting a clear idea of what the company is trying to achieve; setting tough targets; and letting management get on with it.

Granada's bid for Forte is in many ways a battle between two family companies at different stages of development. The Forte family business was built up over six decades by Charles, now Lord, Forte. The son of an Italian immigrant, his decision to open a milk bar on London's Upper Regent Street with £1,000 in 1934 was the start of a £1bn empire, which he handed to Rocco, his only son.

As Lord Forte was buying his first milk bar, Mr Alex Bernstein's grandfather, Alexander, was building cinemas. He later decided to run some of them, and his sons, Cecil and Sidney, built up the business.

Unlike the Bernsteins, the Fortes have until now held on to the family company. Although the family and directors own no more than 8 per cent of Forte's shares, Sir Rocco took over from his father as chief executive in 1982 and as chairman in 1992.

Sir Rocco, knighted this year for services to tourism, put in a new management team – about 70 of the 100 senior managers have been at Forte for two years or less – and set about restructuring the company by disposing of peripheral businesses. These included reducing Forte's stake in Alpha Airports, selling Gardner Merchant, and disposing of the Harvester chain of restaurant pubs to Bass. The group has also embarked on rebranding its hotels – it currently has eight brands ranging from the exclusive to the budget – and last year pulled off a FFr1.82bn (£240m) deal to buy Meridien, the international hotel chain, from Air France.

The strategy appeared to be working when Forte reported full-year results to the end of January showing a 65 per cent increase in underlying profits to £127m. However, the performance of the shares in London has been lacklustre this year, underperforming the FT-A Leisure and Hotels sector. Over five years, the shares have underperformed the All-Share by more than 30 per cent.

Sir Rocco defends Forte's record. "Which hotel company has performed well over five years?" he asked yesterday. "The hotel industry has been devastated by the Gulf war. Our performance is in the next five years when we'll leave him [Mr Robinson] standing."

But industry analysts are divided: some agree that Forte needs more time and others say it has been slow to implement the changes needed in a competitive international hotel industry. Questions about management have also been raised.

"Sir Rocco has recruited a huge number of people to sort things out but it's still got too many brands," says one analyst. "The principles and the systems needed to ensure that everyone is doing their job properly just don't seem to be there."

Others believe that Forte is still too dependent on the UK, which accounts for 80 per cent of its profits, and has not been aggressive enough in expanding the Meridien brand abroad.

Granada says that, if its bid succeeds, it will reduce Forte's hotel brands to three: it will make Meridien the main international brand, keep the mid-market Posthouse – with increased prices – and retain Travelodge, the budget roadside brand. Other hotels would run as standalone operations or be sold off. Mr Robinson said that he would review Forte's decision to sell its US chain of Travelodge hotels.

Granada would also merge Forte's Little Chef and Happy Eater roadside eateries, which it describes as tired brands on excellent sites. Granada says it would give an undertaking to the Office of Fair Trading to sell Forte's motorway service stations. Combining Granada and Forte motorway services would create too much of a monopoly.

Mr Robinson says he believes Forte has failed to deliver adequate value to its shareholders partly because it has retained trophy assets that did not produce good returns. For this reason, he would dispose of Forte's stake in the Savoy group. Along with the sale of the remaining Forte stake in Alpha airports and the motorway service stations, he hopes to raise £500m.

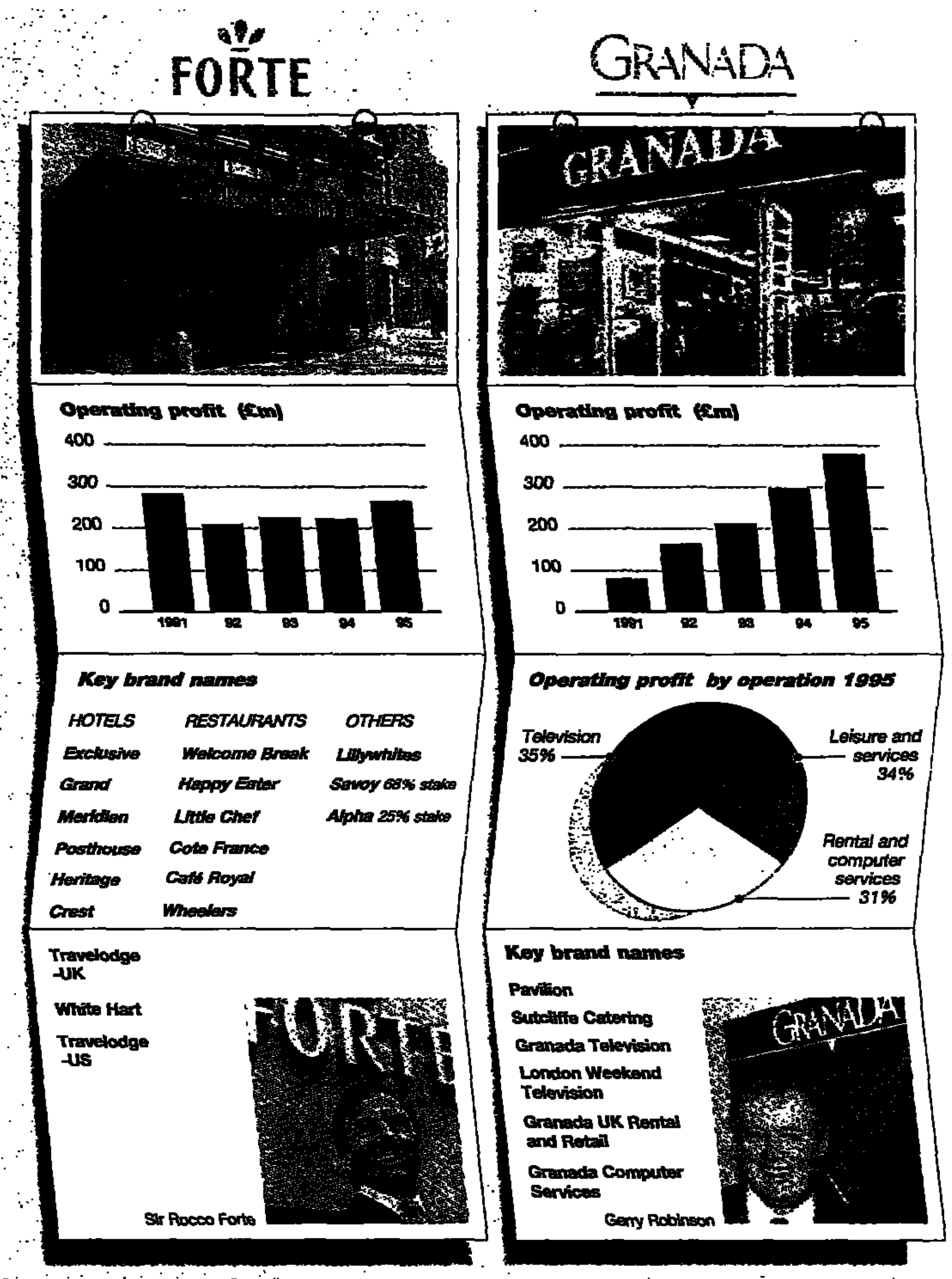
Although the departure of Mr Bernstein from Granada in March will represent a break with the past, the key decision was taken as long ago as May 1991, when Granada, faced with a sharp drop in earnings and unacceptable levels of debt, brought in new management to turn the company round.

It was a brave move by Mr Bernstein. He was admitting, in effect, that the days of Granada as a traditional family-run company were drawing to an end.

As he looked forward to retirement, Mr Bernstein said one of the things he was proudest of was "finding Gerry Robinson". Many observers believe that, if Granada raises its offer, it will have little difficulty in seizing control of Forte, although questions are being asked about Granada's limited experience in managing hotels. Sir Rocco said Mr Robinson's proposed plans for Forte were "marketing jargon. He doesn't have any brands to market, yet overnight he's going to put up rates at Posthouse. He's potty."

But Forte is used to battles. In the 1970s, as Trusthouse Forte, it fought off a bid from Allied Breweries. In the 1980s, Forte fought a bitter battle to take control of the Savoy group, although it ended up with only a minority of the voting shares.

As this latest battle got under way in earnest yesterday morning, Mr Robinson tried to telephone Sir Rocco to tell him what was about to happen. But the Granada chief executive was told that Sir Rocco was out shooting. He had yet to realise that he was about to become the target.



Savoy on the menu again

Lord Forte had emotional reasons for wanting to own the Savoy group, the collection of luxury hotels that includes the Savoy itself, Claridge's, the Connaught and the Berkeley in London, as well as the Lygon Arms in Worcestershire, writes *Scheherazade Daneshkhu*. After all, he proposed to his wife, Irene, in the Savoy.

By contrast, Mr Gerry Robinson, Granada's chief executive, showed little sentimentality yesterday in proposing to sell Forte's stake in the Savoy group: "We're not wedded to trophy assets if they don't give enhanced shareholder return."

Lord Forte, who regarded the Savoy an eminent hotel but thought its profitability far from impressive, launched a hostile bid for the company in 1981. This marked the start of a long battle, which ended uneasily last year when Mr Giles Shepard resigned as the Savoy's managing director after 15 years.

The Savoy group, led by Sir Hugh Wontner, opposed the bid with vigour and was able to prevent Forte gaining control through a share structure established in 1955. Mr Shepard summed up its opposition to Forte with the words: "On professional grounds, we have never thought that a vast combine like Trusthouse Forte, which among other things runs service stations on the main arterial roads and airport catering, is at all suitable to run services of the quality of the Savoy."

As another vast combine launched a hostile bid yesterday – this time for Forte – Sir Rocco Forte, chairman, doubted that a contract caterer would have the skills to run a hotel company.

· OBSERVER ·

History ain't bunk

■ There's an old Japanese saying that "in politics an inch ahead is darkness". But it is surely no less amazing how speedily the waters of Lethe obscure the recent past.

Are there no students of history in the White House, which yesterday announced that Bill Clinton might go to Tokyo in January? Does no-one recall what happened the last time a US president cancelled a planned trip to Japan late in one year and carried it out in the first month of the next?

The victim in 1991-92 was George Bush. His Republicans shockingly lost a US senate seat in a Pennsylvania election, in part because the winning Democrat made much of the president's preference for foreign over domestic policies, especially healthcare. That prompted a panicky cancellation of a Tokyo mission, which offended the Japanese. When Bush made amends and went in the following January, he had a medical accident all over the Japanese prime minister, starting the long slide to his failure to win re-election.

The parallel ought to disturb Clinton, who did not go to Japan last week because of the government shutdown at home. Unless of course he has something else up his sleeve. Like taking Newt Gingrich with him again and pushing him out of the rear door of Air Force One into the Pacific.

Juicy stuff

■ A frisson of excitement swept through the Maxwell fraud trial yesterday when into court strode Johnnie Cochran, the US lawyer famed for securing the acquittal of OJ Simpson. Was Cochran about to replace one of the British barristers who have been labouring away on the case for months? If so, which side would he be on?

The truth proved more mundane. The celebrity lawyer was passing through to check out the courtroom technology. But, before he escaped he was interrogated by trial judge Lord Justice Phillips who invited him back to his rooms for a chat over tea.

Retirement job

■ We may well not have heard the last of Australia's Alan Jackson when he steps down as boss of BTR, the UK's ninth biggest company, at the end of the year. Jackson has teamed up with Kerry Stokes, one of the movers and shakers of Australia's media world.

Jackson has just gone on the board of Stokes' Seven Network, one of Australia's biggest TV channels, and is joining forces with Stokes to breathe life into Austrim, a relatively unknown Australian finance company. The news that Jackson and Australian Capital Equities are buying BTR Nylex's 35 per cent stake in Austrim led to a more than 20 per cent jump in Austrim's share price.

The combination of Stokes, who started his first business venture at 10 by trapping rabbits and selling skins, and Jackson, one of Australia's most successful industrialists, could turn out to be one of Australia's more fruitful business partnerships.

Nevertheless, it has raised a few eyebrows. Austrim bought a half share in Bridge Wholesale Acceptance from Jackson's BTR Nylex in 1990 and Jackson went on the Austrim board as chairman. BTR Nylex is now proposing to sell its stake in Austrim to Jackson and partners at 65 cents – some 28 per cent below the current share price. BTR chairman Norman Ireland says BTR is selling out because Austrim didn't fit into BTR's portfolio. But it would fit in well with Jackson's retirement plans because he "always liked to get his hands dirty".

Don't call us

■ Does Britain's Direct Marketing Association need some advice on – well, marketing itself?

Caroline Jackson MEP has just received a letter informing her of a DMA briefing on cold-calling to be held at the House of Commons on November 27. Wrong parliament, too late. A crucial committee vote at the European parliament was taken earlier this week in favour of a ban of the practice, and all the amendments which the DMA opposed were enthusiastically adopted by a majority of MEPs.

In camera

■ So where was Michel Rouger, the former judge chosen by the French government to help flog off Crédit Lyonnais' assets, when he was needed on Tuesday? His absence from Paris was noted on the day that Lazard Frères won the mandate to act as investment bank adviser on one of its higher profile assets, the MGM film studios.

It transpires that Rouger was in London, attending the première of the new James Bond film, *GoldenEye*, MGM's latest offering – betraying a taste for galas he perhaps shares with CL's loan officers of yesteryear?

Yes, MAM

■ Mercury Asset Management, with its chunky 13 plus per cent stake in both Forte and Granada, can expect to be fêted by predator and target company alike in the coming weeks. So, while Forte lays on dinner at London's Savoy Hotel, what is Granada supposed to do? Lunch at a motorway service station? A night out with a soap opera star?

The Financial Times

100 years ago

Prohibited and interdit

We have to announce, with great regret and not a little misgiving, the fact that this journal is "prohibited and interdit" in Turkey. A number of copies of the Financial Times addressed to subscribers in Constantinople have been returned to us marked with these fatal words. We regret extremely that anything we may have said should have hurt the feelings of the Sultan or his Government. It affords us, however, some consolation to know that the embargo in question must have been issued before our article entitled "Turkey is Cheap Today" reached the hands of the Commander of the Faithful, but we cannot help thinking, after such an exhibition of petty tyranny, that Turkey is cheaper than ever.

50 years ago

Dollars for films

It was stated authoritatively a few days ago that remittances for the film trade to the US are now running at the rate of nearly £18m yearly. In the short run we must reiterate that the film supply in this country is not sacrosanct. Entertainment can be rationed, along with petrol, clothes, food and motor-cars.

FINANCIAL TIMES
Thursday November 23 1995

Move follows unexpectedly high losses at Kizu

Japan to set up body to rescue collapsing banks

By Gerard Baker in Tokyo

Japan is to set up a special organisation to rescue the country's collapsing banks, the finance ministry announced yesterday.

The body, to be modelled on the US Resolution Trust Corporation which disposed of bankrupt savings and loans institutions in the early 1990s, will take over the operations of banks that fail within the next five years.

The decision was prompted by the discovery of far greater losses than previously estimated at one of the institutions that has already collapsed this year.

The ministry said yesterday that non-recoverable loans at the Osaka-based Kizu credit co-operative were now Y960bn ($9.5bn) not the Y600bn stated in August when Kizu went under. The extra losses stemmed from further falls in property prices and a more detailed examination of the company's books.

The new figure represents more than 70 per cent of total loans by Kizu. A further Y230bn of loans are thought to be doubtful, leaving less than 10 per cent of Kizu's loans as performing assets. The losses exceed the entire funds available at the Deposit Insurance Corporation, the institution financed by commercial banks which pays out to depositors in the event of a bank failure.

"Support from the Deposit Insurance Corporation could not cover the enormous amount of unprecedented loss incurred by Kizu," said Mr Masayoshi Takemura, the finance minister. As a result a new body with extra money was necessary to meet most current and all future liabilities.

The government has not decided how the body will be funded. It has asked banks to increase deposit insurance premiums and be prepared to provide specific capital injections.

But it seems increasingly probable that the funds will need to be supplemented with public money. There is widespread popular opposition to using taxpayers' money to prop up failed banks, and the finance ministry is treading carefully.

"The question of public money for the new body is still a subject of disagreement," said Mr Sei Nakai, deputy director general of the ministry's banking bureau. A decision is expected by the end of next month.

A Japanese-style RTC will take over from Tokyo Kyodo Bank, set up to manage the finances of two other credit co-operatives that failed last December.

It will have authority to repay deposits, collect non-performing loans and liquidate institutions. But its establishment will require parliamentary approval, and it is unlikely to be set up before next spring.

Meanwhile, the immediate needs of Kizu will continue to be met with loans from the Bank of Japan. The central bank has so far lent Y470bn to the credit co-operative to enable it to pay off depositors who have withdrawn their accounts.

That lending is likely to increase between now and next spring, when the new organisation should be able to take over the liabilities.

The ministry also said bigger banks which had a close relationship with Kizu would be asked to contribute as much as they could to the bail-out.

Some of Japan's largest banks, most notably Sanwa, introduced depositors to Kizu, and officials say they should bear a larger part of the burden. Osaka prefecture, the regulator of Kizu, has also been asked to contribute, but it too is reluctant.

Rivals try to halt Deutsche Telekom discounts

By Michael Lindemann in Bonn

Deutsche Telekom, the German state-owned telecoms operator, is offering business customers discounts of up to 35 per cent on their telephone bills, a move that competitors say could wreck their prospects ahead of the liberalisation of Europe's biggest telecoms market.

The discounts present the German government with an important test as the country moves towards the full liberalisation of its telecoms market in 1998. The government's deliberations will be made more complex by the privatisation of Deutsche Telekom, scheduled for next year.

The would-be competitors, including German companies such as RWE, Veba, Thyssen and Mannesmann, say the proposed discounts would put their fledgling telecoms operations out of business and have asked the government to halt them.

The limited services these companies can already offer clients use Deutsche Telekom's network – the only one so far permitted. According to a Thyssen executive, the rental charges are in effect being used to subsidise the discounts.

RWE, the energy-based conglomerate, claims it has been told by companies that even bigger discounts – of up to 43 per cent – were on offer, and the companies were being asked to sign five-year contracts.

If the telecoms ministry approved the discounts, RWE said, a complaint that Deutsche Telekom was abusing its monopoly position would be lodged with the European Commission. "It's the most extreme example of anti-competitive pricing," RWE said.

Deutsche Telekom admitted it was offering discounts but dismissed allegations of five-year contracts as "nonsense". It said it insisted on long-term contracts only where networks were designed specially to meet clients' requirements and start-up costs had to be recovered. It also denied it was using the rental charges to subsidise the discounts.

The ministry said it was reviewing the proposed discounts, part of a new tariff structure Deutsche Telekom hopes to introduce on January 1. The ministry said that any go-ahead it gave the planned changes would still be subject to review by a parliamentary committee set up to regulate telecommunications.

An RWE executive said he had heard about the discounts from companies with which RWE was also trying to do business.

He said the problem was particularly acute because the private sector operators had no "official" right to complain to the ministry about the proposed discounts.

Russian parliament backs Dubinin as new bank chief

By John Thornhill in Moscow

Russia's parliament yesterday confirmed Mr Sergei Dubinin as permanent head of the central bank in a move which is likely to speed negotiations with the International Monetary Fund over economic assistance.

Mr Dubinin, sacked by President Boris Yeltsin last year as acting finance minister after the crash of the rouble, vowed to uphold the bank's tight monetary policies. These have helped cut the monthly inflation rate from 17.8 per cent in January to 4.7 per cent last month.

Mr Dubinin's appointment was approved in the lower house of parliament by a vote of 344 to one. Parliament's overwhelming support for him contrasted with its hostile attitude towards Mrs Tatiana Paramonova, the former acting governor, who was twice rejected for the post and was sacked earlier this month.

Mr Alexander Livshits, the president's chief economic aide, praised parliament's "sense of responsibility" in approving Mr Dubinin. Last week, deputies approved the first reading of a revised draft budget for 1996 which promises to set Russia's finances on the most stable basis since reforms began.

Mr Dubinin, who has no central banking experience, said he had much to learn about the institution's internal workings but promised there would be no significant changes in policy.

"Obviously there will be some changes. But they will be of an evolutionary rather than a revolutionary nature," he said.

International financial institutions which worked closely with Mr Dubinin when finance minister welcomed his appointment.

"There should now be excellent co-operation between the finance ministry and the central bank, which is important and has not always proved to be the case in the past," said one western economist.

An IMF mission is discussing a possible three-year extended financing facility of about $15bn to reinforce the progress Russia has made in stabilising the economy this year.

However, there is concern that Mr Dubinin's background as a former vice-president of Imperial Bank and board member of Gazprom, the giant gas producer, may make him too influenced by the industrial and financial lobbies.

Mr Yevgeny Yasin, economics minister, said Russia had last year taken a "historic and courageous" step to stop printing money to cover the budget deficit and was now on the threshold of economic stabilisation. But he warned that the reform process could be fatally undermined by a Communist victory in parliamentary elections next month.

Granada bids $5.2bn for Forte hotel group

Continued from Page 1

1986. The bulk of the primary underwriting for Granada was put in place by stockbrokers BZW and ABN Amro Hoare Govett, rather than the company's financial adviser Lazard Brothers. Barclays, which owns BZW, and ABN Amro provided a large part of Granada's new £2.5bn loan which would help pay for the acquisition.

The Granada attack came as the company famous for television programmes such as Coronation Street and Prime Suspect announced a 32 per cent increase in pre-tax profits to £351m.

Some analysts, however, were expressing reservations last night about Granada's experience and ability to manage a major hotel group.

THE LEX COLUMN

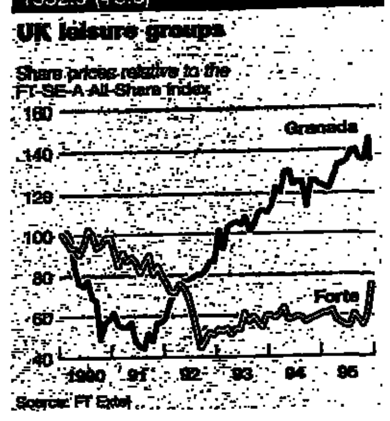
Granada's Forte

Forte will be hard-pressed to maintain its independence. Yesterday's £3.3bn bid by Granada included a powerful demolition job of the UK hotel and restaurant group. Much of Granada's critique is telling: Forte's hotels suffer from a confusion of multiple brands; its headquarters are bloated; and it is over-impressed by trophy hotels. Forte may say these criticisms are out of date but investors will not easily be convinced.

Forte may also argue that Granada is seeking to acquire it on the cheap. But with the bid pitched at around 19 times next year's forecast earnings and a third above net assets, the price is not mean. Granada would certainly pay more if a rival entered the fray, but it is not obvious who else would be interested in Forte's mix of businesses. Another ploy would be for Forte to revamp its management and promise to do better in future, but it is unclear whether shareholders would be swayed.

That said, Granada itself has a tricky selling job on its hands. It has little experience running hotels – managing only 1,300 hotel rooms compared with Forte's 100,000. Moreover, hotels are more cyclical than Granada's traditional television, catering and rentals businesses. Given that Granada will also be increasing its debt levels to fund the deal, earnings will become more volatile. The question is whether earnings per share can be boosted sufficiently to compensate for their lower quality. Granada's impressive recent track record under Mr Gerry Robinson suggests that Forte's costs will be cut and the business managed more dynamically. Yesterday's 7 per cent fall in its share price is therefore overdone. But the proposed deal is certainly not a steal.

FT-SE Eurotrack 200:
1552.9 (+5.6)



Source: FT Extel

European convergence

Despite the European Monetary Institute's verdict that progress towards economic convergence within the European Union is insufficient, Europe's high-yielding bond markets are returning to favour. The 1999 deadline for European monetary union may be missed if not enough countries meet the necessary economic criteria by 1997. But high-yielders such as Sweden, Spain and Italy were not expected to get in at the first attempt.

Indeed, there is a theory that a delay in the start of Emu would be good news for high-yielding markets, since these countries might then be able to meet a later deadline. This is going too far, but, provided pressure to meet criteria is maintained, such a delay should not prove disastrous.

The main reason for taking a positive view of high-yielding markets is that their improving economic performance is not yet reflected in yield differentials relative to Germany. Spain missed the Maastricht inflation target this year but inflation is expected to fall below 4 per cent next year, as the impact of indirect tax increases disappears. Yet the differential between Spanish and German bonds is still four percentage points – twice as large as at the start of 1994. Italy, however, is proving slower to benefit from renewed investor interest, though Italian inflation is also set to fall. The greatest risk for these markets is not a change in the Emu timetable but domestic political uncertainty, which could undermine the will or ability to meet targets.

Nestlé

If Nestlé's long-suffering shareholders were hoping for signs of cultural change, they will have been disappointed. Although Mr Helmut Maucher, Nestlé's long-standing chief executive, is finally to relinquish the job, he is not giving it up until 1997. Even then, he will remain chairman – in overall charge – until his 72nd birthday in 2000. The selection of a replacement chief executive from within the company suggests strategic change is not on the cards.

Nor will shareholders have been cheered yesterday by Nestlé's warning that this year's profits could be lower than last year's. The company laid much of the blame on the coffee cycle, and promised that the news would be better next year. But coffee bean prices have been falling since September last year; the cycle should by now be helping Nestlé, not harming it. A more plausible explanation is that competition has hit margins on instant coffee. This is nothing to do with the cycle, and does not look like a short-term phenomenon.

Nestlé is traditionally a defensive stock but the shares have underperformed the Swiss market by nearly 20 per cent since the beginning of the year. Some of this reflects the strength of the Swiss franc, but Nestlé is not alone in having overseas operations. More significant has been the sluggishness of European consumer demand, on which roughly half of Nestlé's business depends. Since this shows little sign of recovery, a rebound in the share price looks unlikely.

Corporate governance

The key battleground in Britain's latest review of corporate governance is likely to be the role of non-executive directors. Many investors see non-executives as their first line of defence when a company's management or strategy goes awry. But the new Hampel committee – or Cadbury mark II – is clearly uncomfortable with what industry sees as the increasingly confrontational relationship between executives and non-executives.

It is important that non-executives do not adopt a purely negative role to the extent that executive initiative is stymied. But it is also patently clear that non-executives must be sufficiently independent and strong-minded to hold management to account before shareholder value is seriously damaged. As this week's rumpus at Cable and Wireless shows, dithering by non-executives can be harmful. But when they finally acted, investors reaped the rewards. Such action is certainly better than allowing matters to spin out of control or waiting for a hostile takeover to sort out the problem.

Rather than seeking to muzzle non-executives, the Hampel committee should focus on how to find more high-quality ones. The current appointment practice is often for the chairman to appoint his buddies. A more formal method, with greater input from shareholders, is in order.

Additional Lex comment on Courtaulds on Page 20

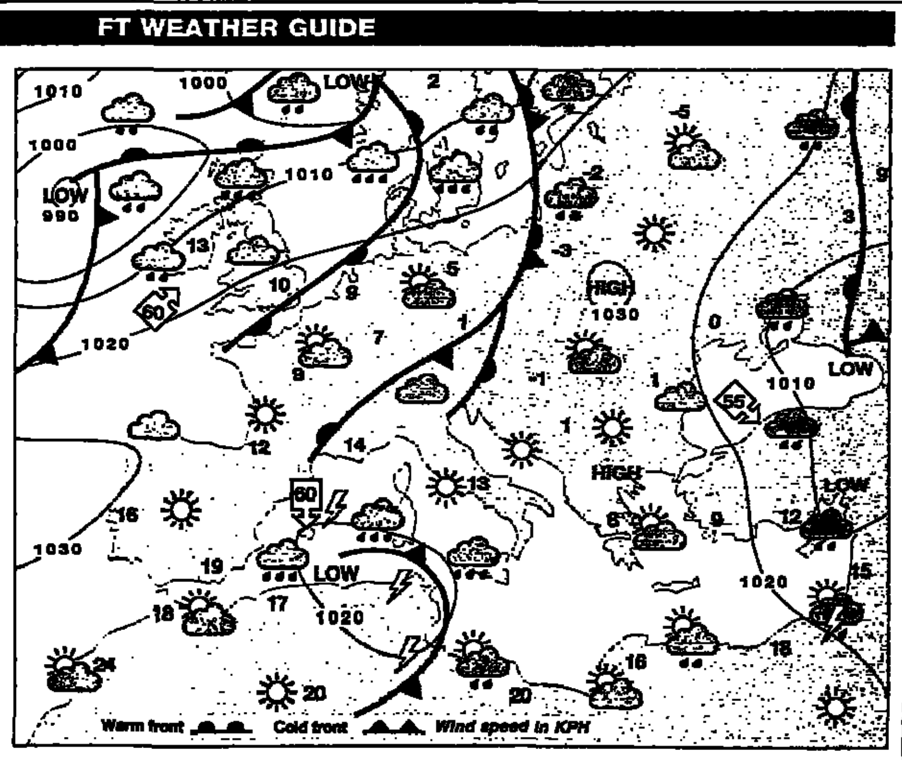
FT WEATHER GUIDE

Europe today

The British Isles will have cloud and occasional rain owing to an Atantic low. South-east England will have a few sunny spells. Near gales from the south will affect Ireland. Western Scandinavia will be unsettled with heavy rain on the Norwegian coast. The Benelux will be mainly dry. France and the Iberian Peninsula, will be dry and mainly sunny although northern France will have cloud. It will be cloudy from the Baltics to the Alps. Eastern Europe will be fairly calm with sunny spells and freezing temperatures. A low in the Black Sea region will cause rain in the Crimea and northern Turkey although the south coast will have plenty of sun .

Five-day forecast

The Mediterranean will be unsettled during the next couple of days. Sicily, then other parts of Italy, southern France and Greece will be especially wet. The British Isles and western Scandinavia will be unsettled with storms. Central and eastern Europe will be cloudy but mainly dry owing to high pressure over the Balkans.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	9	Caracas	fair	31	Faro	sun	19	Madrid	sun	14	Rangoon	fair	32
	Celsius		Belfast	drzzl	12	Cardiff	drzzl	12	Frankfurt	fair	8	Majorca	rain	17	Reykjavik	cloudy	0
Abu Dhabi	sun	28	Belgrade	sun	1	Casablanca	sun	18	Geneva	fair	7	Malta	cloudy	16	Rio	fair	25
Accra	fair	30	Berlin	cloudy	4	Chicago	fair	1	Gibraltar	sun	18	Manchester	cloudy	11	Rome	sun	13
Algiers	thund	17	Bermuda	shower	23	Cologne	fair	9	Glasgow	rain	13	Manila	thund	30	S. Frsco	sun	21
Amsterdam	cloudy	9	Bogota	shower	20	Dakar	sun	32	Hamburg	fair	8	Melbourne	shower	18	Seoul	fair	5
Athens	fair	8	Bombay	fair	33	Dallas	windy	18	Helsinki	drzzl	3	Mexico City	fair	23	Singapore	shower	31
Atlanta	fair	14	Brussels	cloudy	9	Delhi	sun	27	Hong Kong	fair	21	Miami	sun	25	Stockholm	fair	5
B. Aires	fair	23	Budapest	sun	-1	Dubai	sun	27	Honolulu	fair	29	Milan	sun	9	Strasbourg	fair	6
B.ham	fair	10	C.hagen	cloudy	6	Dublin	cloudy	13	Istanbul	shower	7	Montreal	snow	-1	Sydney	shower	22
Bangkok	fair	32	Cairo	fair	17	Dubrovnik	shower	10	Jakarta	shower	30	Moscow	fog	-5	Tangier	sun	18
Barcelona	fair	16	Cape Town	fair	20	Edinburgh	cloudy	12	Jersey	drzzl	11	Munich	cloudy	5	Tel Aviv	shower	15
									Karachi	sun	30	Nairobi	cloudy	25	Tokyo	rain	16
									Kuwait	sun	28	Naples	sun	13	Toronto	cloudy	5
									L. Angeles	sun	23	Nassau	fair	26	Vancouver	rain	9
									Las Palmas	sun	24	New York	fair	9	Venice	sun	7
									Lima	cloudy	22	Nice	sun	15	Vienna	sun	-2
									Lisbon	sun	17	Nicosia	fair	13	Warsaw	sun	-4
									London	fair	11	Oslo	rain	7	Washington	cloudy	11
									Lux.bourg	fair	7	Paris	fair	8	Wellington	fair	17
									Lyon	fair	8	Perth	sun	28	Winnipeg	fair	-12
									Madeira	sun	20	Prague	cloudy	-1	Zurich	cloudy	5

هكذا من الاصل

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday November 23 1995

IN BRIEF

Air France returns to black midway

Air France, the French state-owned airline, announced a pre-tax profit for the six months to the end of September – its first since 1989 – but warned that an exceptional charge would hit the net result for the full year. Page 16

Hungary names gas contest winners
Hungary last night awarded four of its five regional gas distribution companies (GDCs) to the top first-round bidders and invited a second round of tenders for the fifth. Page 16

Buoyant Viag sounds orders warning
Viag, the German energy-based conglomerate, reported nine-month operating profits 150 per cent higher at DM1.82bn ($1.3bn). But it warned that growth in orders was slowing. Page 16

Reduced costs help NTT triple midway
NTT, Japan's dominant telecoms group, more than tripled recurring profits – before tax and extraordinary items – to Y126.8bn ($1.25bn) in the six months to September 30, helped by cost cutting and a 6 per cent increase in revenues. Page 17

Qantas considers changes to share rules
Qantas, the Australian airline, is considering changing its share structure to ease trading by foreign investors, who are inhibited by the company's 49 per cent foreign ownership limit. Page 17

Japan bucks global gloom in pulp industry
The slowdown in the pulp and paper industry has circled the world like a wave, starting in Europe this summer, moving to the US and now starting to hit the hitherto-buoyant Asian market. According to one Vancouver-based trader, Japan is virtually the only bright spot. Page 18

Minority bank shareholders face problems
Minority shareholders in Brazil's Banco Nacional, which was acquired at the weekend by Unibanco, may soon see their investments crumble after the removal two weeks ago of legal safeguards that would have protected their interests. Page 18

Courtaulds bemoans bulk price swings
Sharp variations in bulk chemicals prices over the past year could have permanently damaged the market for man-made fibres, Mr Sipko Huismans, chief executive of Courtaulds, the UK chemicals company, warned. Page 20

Stronger FKI looks for acquisitions
FKI, the fast-growing UK engineering group, reported a big increase in interim profits to £39.4m ($62.2m) and said it would continue to look for acquisitions to fuel growth. Page 20

CMG flotation value beats forecasts
Favourable market conditions and positive reactions from institutional investors are likely to result in a higher-than-expected valuation for Computer Management Group, the European software group, when it is floated in London and Amsterdam on December 1. Page 20

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Falls			
Karstadt	586	–	24.5
Linotype	142	–	14
Mannesmann	484.2	–	15.3
Schmalbach Lub	195	–	9
Varta	274	–	8.5
Wella	885	–	35
NEW YORK ($)			
Rises			
Deere & Co	91⅜	+	3⅞
Newbridge Ntwk	41⅞	+	3¾
Nucor Corp	49⅝	+	2½
Tel Argentina	40¾	+	2¾
Falls			
SGS-Thomson	37¾	–	2¾
Stop & Shop	21	–	1½
LONDON (Pence)			
Rises			
Alpha Airports	114	+	13
Courtaulds	388	+	39
Forte	347½	+	73
Savoy A	1025	+	142
Falls			
[illegible]	103	–	12
Vodafone	216	–	23
TORONTO (C$)			
Rises			
Kerr Addison	26	+	1¼
Newbridge Ntwk	56⅝	+	4⅝
Falls			
[illegible]	6½	–	1½
[illegible]	3.9	–	0.6
Cott Corp	9¾	–	1⅜
Wstn Star Trck	28⅝	–	2⅞
PARIS (FFr)			
Rises			
UFB Locabail	415	+	19
Falls			
CCF	843	–	22
Credit Natl	346.8	–	5.2
Imetal	577	–	13
SGS-Thomson	184.5	–	11.3
Vallourec	188	–	8
TOKYO (Yen)			
Falls			
Central Fin	425	–	22
Chiyoda	898	–	37
Fuji Spinning	410	–	20
Mitsui Soko	700	–	37
Mizuno Sport	860	–	34
Takaoka Elec	631	–	49
HONG KONG (HK$)			
Rises			
China Res	3.475	+	0.25
HK Telecom	12.9	+	0.7
IMC	4.5	+	0.2
Lucky Man Prop	5.2	+	0.3
QPL Intl	7.15	+	0.35
Falls			
SAS Dragon	5.05	–	0.4
BANGKOK (Baht)			
Rises			
Alphatec Elec	318	+	26
[illegible]	24.25	+	4.25
United Fin	60	+	6.5
Falls			
Boutique New	24.75	–	2.25
[illegible]	130	–	14
Thai Toray Tex	84	–	8

New York and Toronto prices at 12.30

C&W could take a year to fill top jobs

By Alan Cane in London

Mr Brian Smith, the new non-executive chairman of Cable and Wireless, predicted it would take at least a year to appoint a chief executive and find a chairman for the telecommunications group.

Mr Smith said he and fellow C&W directors should have been more aware of the tensions between Lord Young, executive chairman, and Mr James Ross, chief executive, both of whom were shown the door on Tuesday. "The lesson is you cannot have two chief executives," said Mr Smith in his first interview since stepping into the breach at C&W.

Mr Smith, who retired as a non-executive director of C&W in June, said he had been approached by his former colleagues on Monday to take the chairmanship. He was tempted back by three factors:

- He had been associated with C&W as a director since 1988 and knew the business and the personalities involved: "They are a good bunch of guys."
- The basic business was sound and he felt he could inject stability at the top which would allow the executives to get on with running the company.
- He had been a great friend of the late Lord Sharp, a former chairman credited with the construction of the modern C&W: "Eric Sharp would have been very sad about the predicament of the business he built. I felt I owed it to him to do something about it."

The crisis at C&W emerged last Friday and concluded on Tuesday evening with the non-executive directors demanding that Lord Young and Mr Ross leave the company. Mr Smith said his first actions would include meetings with senior executives to decide the issues facing the company. "We cannot have things slipping under the carpet."

He said he had a feel for the main issues: "But I have been out for six months and this is a fast-moving and dynamic business." Although he did not believe C&W was a likely takeover target, the best defence was to improve business performance and shareholder value to remove it from the reach of a predator.

Mr Smith will chair a committee of two non-executive directors and one executive director, all as yet unnamed, who will find a new chief executive as soon as possible. The decision would rest with the full board. "If I could appoint the right man today I would do so," he said, denying that he had likely candidates in mind.

Mr Smith said his ideal candidate would have some experience of the telecoms business: "Somebody with an understanding of the industry, clear ideas and focus and the ability to act today."

As a model, he pointed to Sir John Egan, chief executive at BAA, the airports operator, where Mr Smith is chairman. Mr Smith was asked last night how he was going to manage the two roles. "Well, I said I wasn't going to give up my day job!"

Poison pills, Page 27

Chrysler director quits after Kerkorian pressure

By Richard Waters in New York

Mr Joseph Antonini yesterday stepped down from the board of Chrysler choosing not to fight for re-election in the face of opposition from dissident shareholder Mr Kirk Kerkorian.

The resignation came two days after Mr Kerkorian had said that he might seek to have Mr Antonini, former head of Kmart, the US retailer, removed from the US automaker's board. It represents a partial victory in Mr Kerkorian's battle to exert greater influence over Chrysler's board.

Chrysler said yesterday it expected to complete a three-month review of its board structure and corporate governance arrangements before deciding whether to appoint an ally of Mr Kerkorian's to the board in Mr Antonini's place.

Tracinda, Mr Kerkorian's private investment company, said on Monday that it might fight to have its own appointee, Mr Jerome York, elected to Chrysler's board at its next annual meeting in the spring. It also said it would seek to have Mr Antonini removed.

Mr Antonini's quick decision to step down, after six years as a non-executive of Chrysler, suggests it may have been difficult for the company to fend off broader shareholder pressure for his removal. Mr Antonini was forced out as Kmart's president and chief executive in March, following a prolonged slump in the retail group's earnings.

His departure from Kmart came after a battle with the retailer's shareholders.

Explaining his resignation yesterday, Mr Antonini said: "I do not want to be an issue in the controversy between Chrysler and Kirk Kerkorian."

Chrysler's board is understood to have reviewed Mr Antonini's position in March, a standard procedure after one of its non-executive directors loses a job, but decided to support his continuation as a director.

In a letter to Chrysler on Monday, Mr York said that "while we can imagine that Mr Antonini's perspective has been valuable to Chrysler, Tracinda believes that my broad background and experience in both the automotive industry and at Chrysler" would make a change in director sensible.

Chrysler could appoint a replacement to Mr Antonini at any time, but the new director would face re-election at May's annual meeting, with the rest of the board.

Last week, Fidelity Investments, the US mutual fund group, disclosed it had become Chrysler's largest shareholder by lifting its stake to 14.4 per cent, compared with 14.1 per cent controlled by Mr Kerkorian and his allies.

The success of the record companies in a buoyant market has created instability and attracted poachers

Music industry in a spin behind the platinum cover

At first glance life looks good for for the music industry. Sales are soaring because of the emergence of dynamic new acts, such as Oasis, and the release of new material from golden oldies, notably Queen and the Beatles.

The buoyancy of the music market was highlighted this week by the 44 per cent increase in pre-tax profits to £188m ($297m) for the Thorn EMI leisure group, fuelled by its EMI Music subsidiary, which has Queen and the Beatles on its roster.

Behind the scenes the industry is in turmoil. EMI is dogged by speculation about its proposed demerger from Thorn EMI and possible sale. The chairmen of Warner Music and MCA Music resigned last week. These companies and the rest of the 'big six' music groups – PolyGram, Sony and BMG – are haunted by the efforts of Mr David Geffen, the billionaire music mogul, to poach star acts for his new DreamWorks label.

One of the chief causes of the music industry's instability is the healthy state of the market. Record sales are set for double-digit growth in 1995 after rising 16.5 per cent to $35.5bn in 1994. Even music publishing, previously a neglected area of the business, is expanding because of strong demand from broadcasting, advertising and films. Sony this month clinched a $500m deal to acquire the music publishing interests of one of its biggest stars, Michael Jackson.

This rosy picture has attracted the attention of companies with other entertainment interests. The strong cash flow of record labels is particularly attractive to film studios, which have highly cyclical earnings patterns.

However, the music industry is so consolidated – the big six command two thirds of global sales – that it would be virtually impossible to set up a large label from scratch. It would take too long for a new investor to build up the roster of stars and international distribution systems needed to compete against the big six.

DreamWorks is an exception as Mr Geffen, who became a billionaire after selling his eponymous label to MCA, is now deploying its vast financial resources to attract established stars from other companies. He recently signed George Michael in North America and is now trying to lure REM from Warner and Janet Jackson from EMI's Virgin label.

Other would-be music investors have opted for the quicker option of acquiring an existing business and integrating it with their other entertainment interests. However, this can cause problems with existing management. Music executives tend to be entrepreneurial characters who have traditionally been given a free rein, and large salaries, to run their record labels.

The resignation last week of Mr Al Teller, after seven years as chairman of MCA Music, was a result of its takeover this year by Seagram, the Canadian drinks company. Mr Teller had clashed over strategy with Mr Ron Meyer, the former Hollywood agent whom Seagram appointed as president of all MCA's entertainment interests this summer.

Another corporate clash led to Mr Michael Fuchs's exit from Warner Music last week only six months after he took over from Mr Robert Morgado. Both men were casualties of rows with Mr Gerald Levin, chairman of Warner's parent company, the Time Warner entertainment group. Mr Levin is now merging the music division with the Warner Bros film business.

The changes at the top of MCA and Warner will inevitably lead to reshuffles at other levels of the company creating a climate of uncertainty that Mr Geffen hopes to exploit when wooing star acts.

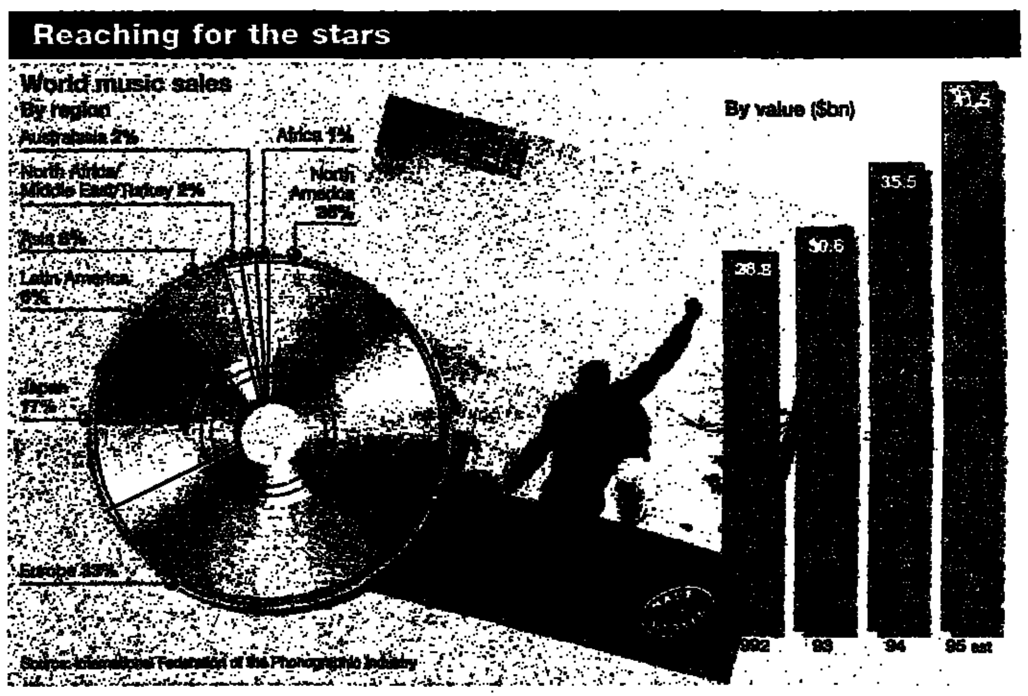
However, the problems at MCA and Warner pale beside the uncertainty facing EMI Music. Thorn EMI's shares have soared this year on speculation about predatory interest in its music subsidiary. The group ignored the speculation and is pressing ahead with plans to demerge EMI from the Thorn rental business next autumn. Sir Colin Southgate, chairman, said the demerger was on schedule. "We haven't met a brick wall we can't find a way around."

Even before the removal of the Thorn "poison pill", EMI is an attractive acquisition target as the only one of the big six not owned by a large entertainment group. Walt Disney, News Corporation and Viacom have expressed interest in expanding their entertainment interests into music. Seagram is another contender, as EMI would perfectly complement MCA Music.

So far, there is no sign of potential predators building stakes in Thorn EMI to make a pre-emptive bid in the hope of buying EMI cheaply (and selling off Thorn) before the demerger goes through. But analysts are convinced someone will seize their chance to buy into the buoyant music market.

Alice Rawsthorn

Reaching for the stars



Nestlé prepares for chief's retirement by naming heir

By Roderick Oram in London and Ian Rodger in Vevey

Nestlé yesterday chose Mr Peter Brabeck, a man renowned for his challenging ideas on brands and marketing, as the successor to Mr Helmut Maucher, chief executive of the world's largest food group for the past 14 years.

The announcement accompanied a warning from Nestlé that trading profits this year would be lower than last year's SFr6bn ($5.3bn).

The Swiss group blamed volatile raw coffee prices and the strength of the Swiss franc. Analysts approved of Mr Brabeck as the next chief executive but some were disappointed he would not take charge for 18 months.

Nestlé said Mr Brabeck – a 51-year-old Austrian and global head of marketing plus a large part of its food business and pet foods, confectionery and ice cream – will succeed Mr Maucher as chief executive in June 1997. Mr Maucher will remain chairman until 2000 when he reaches the group's retirement age of 72.

Mr Maucher has stamped his authority on Nestlé during his tenure through takeovers such as Perrier in mineral water, Rowntree Mackintosh in chocolate and Buitoni in foods. Some investors and analysts believe Nestlé could grow profits faster if it shed many of its product lines which generate only slim profits.

Yesterday in Vevey, Nestlé's home town, Mr Maucher said: "If you are not happy with the performance, it is not due to the structure, it is me. But I think in all modesty that our performance is not as bad as some say."

Net income had grown at an annual rate of 9.7 per cent in Swiss francs and 12.4 per cent at constant exchange rates over the past five years, he said.

Mr Brabeck is credited with starting to rationalise Nestlé's food portfolio. He has also developed ways to address consumers because he believes advertising is losing its power as a credible means of communicating. He also believes brands retain their power if they offer innovative and good-value products.

"Peter is extremely intelligent, open minded and dynamic and quite radical by Nestlé standards," said one observer.

When Mr Brabeck takes over, Mr Ramón Masip, chief operating officer and once seen as a potential successor to Mr Maucher, will become a non-executive director. Mr Mario Corto, chief financial officer of Nestlé USA, will become group chief financial officer when Mr Reto Domeniconi retires next May.

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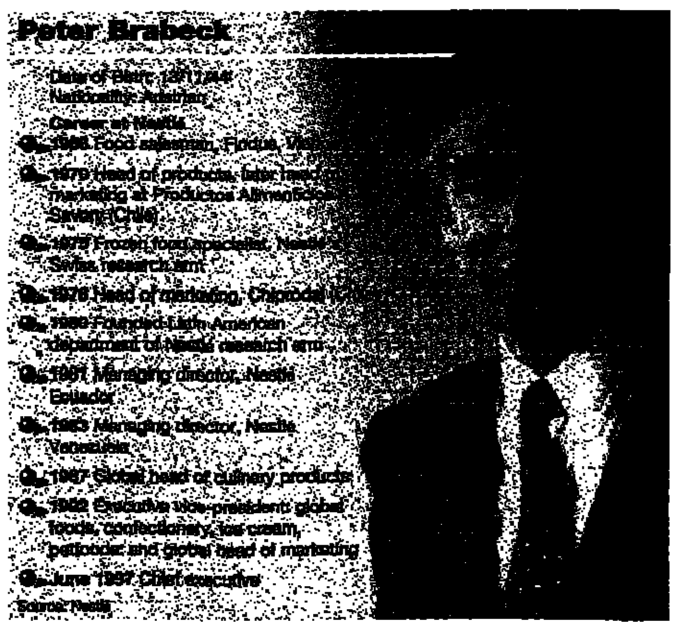


EUROPEAN NEWS DIGEST

Exxon Chemical in plastics acquisition

Exxon Chemical yesterday announced the acquisition from Borealis of a 35 per cent share in an Antwerp plastics complex, in a deal thought to be worth between $300m and $500m. The other 65 per cent of the ethylene and propylene site belongs to PetroFina.

The Antwerp site, one of Europe's largest, is capable of producing 1m tonnes a year of ethylene and 500,000 tonnes of propylene. Mr Juha Rantanen, chief executive of Borealis, said the change in ownership would lead to greater efficiency and allow Borealis to focus on its other European sites.

The deal may be the first step in a broader consolidation within European petrochemicals. Neste, which owns 50 per cent of Borealis, a joint venture with Statoil, has indicated it may sell its stake in the company as part of a disposal of non-core assets. Exxon is reportedly in talks with Neste.

Jenny Luesby, London

BT set to bid for Dutch licence

British Telecommunications (BT) yesterday said it planned to join forces with the Dutch railways to bid for a licence to provide telecoms services in the Netherlands in competition with Koninklijke PTT Nederland (KPN), the country's privatised telecoms operator.

The network would be based mainly on the railways' existing national network of cables which run alongside the railway tracks. BT would provide access to its international *services as well to its technological and marketing know-how.* The plans call for investments of more than Fl 1bn ($634m) over the next 10 years in order to expand the network.

The licence for fixed communications is scheduled to be awarded early next year. The consortium, to be known as Nederlandse Spoorwegen (NS) will have to beat off competition from the Netherlands' nine largest regional energy companies, which are also expected to submit a bid. BT and NS will each own one third of the consortium, to be called Telecom2. The rest will be owned by as yet unnamed Dutch partners. For BT, its alliance with the Dutch railways is its fifth in Europe, after partnerships with banks and telecoms operators in Spain, Germany, Sweden and Italy.

Ronald van de Krol, Amsterdam

Nordbanken up as loan losses fall

Nordbanken, Sweden's largest bank by market share, reported a 25 per cent increase in profits in the first nine months of the year. The jump in operating earnings from SKr3.6bn to SKr4.5bn ($690m) followed the flotation last month of a 34.5 per cent stake in the bank which was taken over by the state during the banking crisis. The government intends eventually to sell off the state's holding to help claw back as much as possible of the SKr65bn in taxpayers' funds used to rescue the banking system in the early 1990s. Nordbanken shares have risen sharply since the flotation from their offer price of SKr92. They closed up SKr0.5 yesterday at SKr108.

The chief factor in the nine-month result was a 38 per cent fall in loan losses from SKr1.57bn in the first nine months of last year to SKr966m. The bank's recovery has been built on a combination of new capital, the extraction by the state of SKr60bn in bad loans and a steady decline in the level of residual loan losses. Net interest income also rose 3 per cent from SKr8.1bn to SKr8.4bn.

Hugh Carnegy, Stockholm

■ Ina, the Italian insurer, said its board proposed to buy back up to 200m shares, equivalent to 5 per cent of issued share capital, at a price not higher than L3,000 per share. The company said the offer, to be put to shareholders at a meeting in January, would be valid for 18 months.

Reuter

Nestlé sees downturn as sales stagnate

By Ian Rodger in Vevey

Nestlé, the world's largest *foods group, yesterday* reported sales flat at SFr45.7bn ($40.17bn) in the first 10 months of 1995 and forecast lower trading profits in the full year than last year's SFr6bn.

Mr Helmut Maucher, chairman and chief executive, said the current year's results were being badly hit by the strength of the Swiss franc and by volatile prices for raw coffee.

He forecast that sales in the full year would "at best" be equal to last year's SFr58.9bn and that trading profits "could be lower than last year".

He would make no forecast on net income, claiming he did not have enough factors to hand, but it was clear it too would be lower.

Last year's SFr3.25bn net income was boosted by a SFr306m extraordinary gain on the sale of the group's cosmetics distribution subsidiaries to L'Oréal of France.

At the interim stage, the group forecast its net income *would equal that of 1994 excluding* the extraordinary gain, provided the foreign exchange and coffee factors did not worsen.

Yesterday, Mr Reto Domeniconi, group executive vice president, finance, said these factors had worsened. The slowdown in instant coffee sales after price increases *would have a temporary effect* on operating margins this year.

Nestlé said sales volume in the first 10 months was up 3 per cent, or 4.5 per cent if coffee were excluded. Acquisitions added 2.6 per cent and price increases another 4 per cent, while currency effects cut sales by 9.8 per cent for a net reduction of 0.2 per cent.

Revenues in Europe, where the group makes nearly half its sales, were down 0.6 per cent to SFr21.4bn and sales in North and South America were off 2.1 per cent to SFr15.7bn. Other regions showed an aggregate 4.2 per cent advance to *SFr8.6bn.*

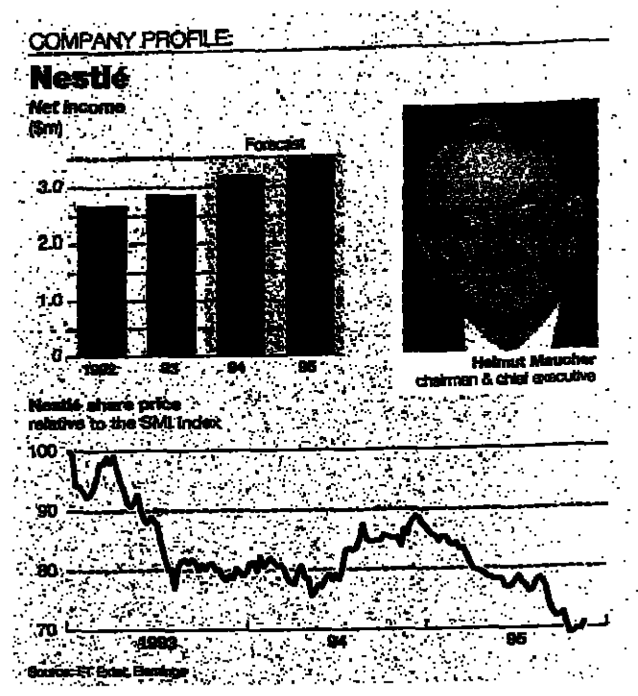
Only the beverages division, including the big instant coffee and mineral waters activities, showed a sales increase, of 1.9 per cent to SFr12.9bn. Other divisions were down marginally.

Net borrowings at the end of October were SFr6.9bn, slightly higher than at the interim *stage because of acquisitions.* But they would drop to SFr6bn by the year-end because of the agreed sale of Wine World Estates in California, Mr Domeniconi said.

Mr Maucher was "more optimistic" about the outlook for 1996, expecting currency factors would be less negative and volumes would continue to rise.

"We will start from a good base. We expect good growth of both sales and profits," he said.

See Lex, Page 14



Hungary selects winners of its gas bid contest

By Virginia Marsh in Budapest

Hungary last night awarded four of its five regional gas distribution companies (GDCs) to the top first-round bidders and invited a second round of tenders for the fifth.

A consortium of Italgas and Snam, both subsidiaries of Eni, the Italian energy group, was awarded Tigaz, the largest regional GDC, ahead of Gaz de France (GdF), British Gas and Germany's RWE Energie, after bidding $172m. The consortium's business plan had been approved and a deal was likely to be signed next week, APV Rt, the state privatisation agency, and its adviser N. M. Rothschild, the UK merchant bank, said.

Two smaller GDCs were awarded to GdF and a fourth to Ruhrgas, the German utility, subject to approval of the two companies' business plans. *GdF, which along with the Italian consortium was the only* company to bid for all five GDCs, offered $92m for Degaz and $77m for Egaz. Ruhrgas bid $52m for Degaz, the only company for which it put in an offer.

The sale of stakes of 50 per cent plus one vote in the regional GDCs is part of Hungary's sweeping energy privatisation plans. Bids for minority stakes in 14 electricity companies are due on November 30, while the City of Budapest is *evaluating bids for Fogaz,* the country's largest GDC.

Italgas/Snam entered the highest bids for two of the regional GDCs and tied with GdF for a third – *Degaz – but,* under the tender's terms, companies may only acquire Tigaz or two of the other GDCs.

This means Kogaz, for which the Italians and GdF put in the highest tenders, will go to a second round of bidding. The runners-up – a consortium of Germany's Bayernwerk and EVN Energie of Austria; RWE Energie and PreussenElektra, both of Germany, and Camuzzi of Italy – will be invited to match Italgas/Snam's $67.3m first-round bid by December 20. *If the bid is not matched,* a third round will be called and companies, including British Gas, which pre-qualified to tender for Kogaz, will be allowed to participate.

The awards to Italgas/Snam and GdF leave British Gas and a German consortium of Ruhrgas and VEW to contend for Fogaz. The City of Budapest invited the four to make offers for a 39 per cent stake and a 50 per cent plus one vote stake and will decide next week.

Air France warns of looming redundancy costs

By John Ridding in Paris

Air France, the French state-owned airline, yesterday announced a pre-tax profit for the six months to end-September, its first since 1989. But it warned an exceptional charge to cover a staff redundancy scheme would hit the net result for the full year.

The French airline, which is in the midst of a rescue plan, said it was maintaining its target of a net loss of FFr1.2bn ($247m), before exceptional *items, for the 12 months to the* end of March. However, the company acknowledged the "ambitious nature" of this target given that activity tended to be slower in the second half of the year.

The airline has not yet published a net result for the April-September period because of the need for provisions to cover its cabin staff redundancy plan, expected to total several hundred million francs.

At the pre-tax level, however, Air France reported a *profit of FFr176m, against a* deficit of FFr856m for the comparable period in 1994. Operating profits improved from FFr213m to FFr826m.

The result was achieved on turnover *of FFr20.3bn, a fall of* 4 per cent. The decline largely reflected the impact of currency movements, notably the weak dollar. The suspension of flights to Algeria, following the hijacking of an Air France airliner by Islamic extremists last Christmas, also had an impact.

The airline estimated lost *receipts from its services to* and from that country represented about FFr260m on an annual basis.

Mr Christian Blanc, who took over as chairman at the *end of 1993 after* a *bitter strike* at the company, is implementing a three-year restructuring plan with the aim of breaking even in 1997.

The airline's accumulated losses since 1993 have totalled more than FFr10bn, forcing the rescue plan and a capital injection of FFr20bn from the French state.

Productivity efforts have increased efficiency, but have also encountered resistance from the company's cabin staff, prompting a series of strikes.

Industry analysts said the *results showed improved efficiency* and the impact of lower financial charges, which fell by about 40 per cent to FFr650m. However, they pointed to continued areas of concern, notably a fall in revenues per passenger kilometre.

Air France is developing a new yield management system, which it plans to implement next year.

Viag surges to DM1.8bn but cautions on orders

By Michael Lindemann in Bonn

Viag, the German energy-based conglomerate, yesterday reported nine-month operating profits up 150 per cent to DM1.82bn ($1.29bn) helped by strong growth at the group's transport and packaging units, but warned that growth in new orders was slowing.

Mr Georg Obermeier, chief executive, said that in spite of the slowdown in orders the group was on course to exceed its forecast DM2bn operating profits for the full-year.

Sales in 1995 are forecast to exceed DM42bn and rose 53 per cent in the first nine months to DM32bn, helped substantially by new purchases and by the first-time consolidation of new divisions.

The company warned that the results could not be compared with those reported a year earlier because the Bayernwerk utility, Viag's biggest single unit, had been fully consolidated in the past nine months. About DM600m of the operating profits came from extraordinary items, including the sale of the PWA paper company and full consolidation of the SKW chemicals unit.

Sales at Bayernwerk rose 33 per cent after the first-time consolidation of electricity companies outside Bavaria, the core operating region. Sales of natural gas fell slightly.

Profits rose sharply at the construction chemicals division of SKW, the Viag unit which was listed earlier this year. *However,* the company said the dollar's fall against the D-Mark had "an especially negative effect" on profits in the natural substances division.

VAW, the aluminium subsidiary, gained *from* higher aluminium prices and improved sales, but sales and profits at the metal packaging business of Schmalbach-Lubeca stayed below expectations, the company said.

Mr Obermeier said Viag would apply for a licence to operate Germany's fourth mobile phone network, to be *awarded in 1997 at the latest.*

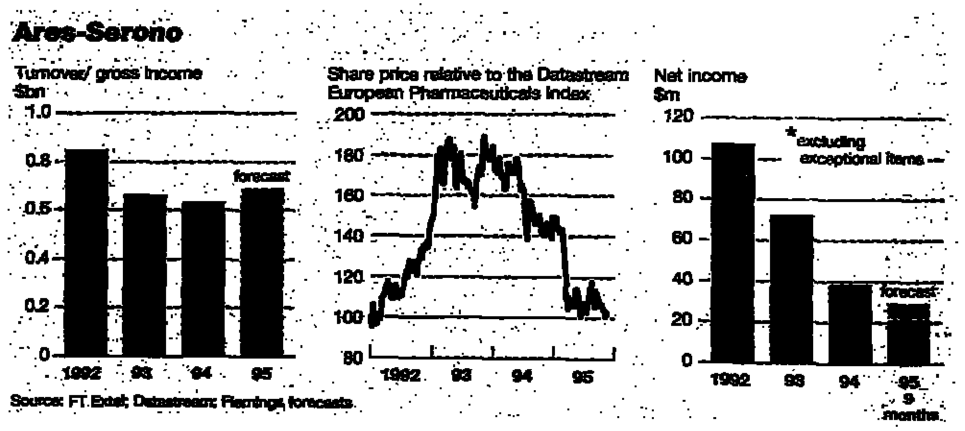
Ares-Serono rises 2.4% in third term

By Ian Rodger

Ares-Serono, the Geneva-based biotechnology group, yesterday *reported a 2.4 per cent rise in* third-quarter net income to $8.5m, continuing a recovery trend begun in the second quarter. Sales rose 17.6 per cent to $175.9m and trading profit jumped from $10.6m to $17.3m.

The group, which has specialised in infertility drugs, said it was recovering gradually from substantial production difficulties late last year and early this year, caused by raw material shortages. It was also *hurt by the removal of some of* its products from government-approved procurement lists in Italy, an important market.

Ares *said* its net income in the nine months was $20.6m, 23 per cent lower than in the previous year. Sales rose 8.3 per cent to $502.7m, thanks to development of other markets.



Pharmaceuticals sales rose by a third in Japan and were up 9 per cent in Europe and 9.5 per cent in Latin America. However, North American sales eased 3.5 per cent to $129.5m because of the raw material shortages.

In spite of the sales and profit declines, the group has maintained its high research and development spending. This reached $103.5m in the first nine months of 1995 compared with $100.4m in the same period of 1994.

Trading profit for the nine months was down 26 per cent to $42.9m and pre-tax profits from continuing operations were off 29 per cent to $35.4m.

Ares said it expected to launch Gonal-F, a new treatment for infertility, in several European markets in the near future and had submitted an application to the US Food and Drug Administration *for fast* track approval for a new drug to treat wasting from Aids.

Incentive 27% ahead after nine months

By Hugh Carnegy in Stockholm

Incentive, one of the main industrial companies in the Wallenberg *family empire,* has lifted nine-month profits 27 per cent. But Mr Mikael Lilius, chief executive, acknowledged *there had been a marked weakening* of general market demand recently in both North America and Europe. "Things definitely look different today from four or five months ago . . . I definitely see a levelling out. It *came during the* third quarter," he said.

Nine-month profits, after financial items, for Incentive's wholly-owned operations rose from SKr1.54bn last time to SKr1.96bn ($300.5m).

Excluding capital gains, profits growth was much greater, jumping from SKr749m to SKr1.5bn. Sales rose from SKr12.4bn to SKr17.8bn, *although the underlying* increase was limited to 10 per cent after taking into account structural changes.

Third-quarter sales and earnings slipped, in common with results from a number of Swedish companies.

Mr Lilius said Incentive's recent shift towards less-cyclical operations meant he still *expected continued positive* earnings development for the rest of the year.

Incentive's biggest division, medical technology, improved operating profits from SKr1.05bn to SKr1.1bn.

Générale des Eaux to revamp property side

By John Ridding

Générale des Eaux, the French utilities and communications group, yesterday revealed a restructuring of its property activities aimed at curbing losses in the sector which are expected to amount to almost FFr7bn ($1.44bn) this year.

Mr Jean-Marie Messier, managing director, said the group's property assets *would be* combined in a single body – Compagnie Générale pour l'Immobilier (CGI) – which would also absorb George V, the French property developer.

The transfer of George V, currently controlled by SPG, part of Groupe Bernard Arnault, involves the issue of 925,000 Générale des Eaux shares to the French business group.

The value of the deal is estimated at about FFr460m, and represents 0.8 per cent of Générale des Eaux's capital.

Mr Messier said the aim of the restructuring was to tighten *management controls* in the group's main property activities. These range from large office developments to residential projects.

The provisions needed for this year, estimated at about FFr6.7bn, would push the group into the first loss in its history. But property losses were expected to narrow to a little more than FFr1bn in 1996 and Mr Messier predicted a strong rebound in group results.

NTT ahead sharply to Y126.8bn

By Michiyo Nakamoto in Tokyo

NTT, Japan's dominant telecommunications company, more than tripled recurring profits – before tax and extraordinary items – in the first half of this year. The group was helped by increased revenues and cost-cutting measures.

Parent company recurring profits jumped to Y126.8bn ($1.25bn) in the six months to September 30 from Y35.5bn last time. The profits increase came on a 6 per cent rise in revenues from Y2,856.7bn to Y3,028.5bn.

Mr Barry Dargan, industry analyst at S.G. Warburg in Tokyo, said the results, which were in line with analysts' expectations, reflect the significant profits gains telecommunications companies with NTT's level of revenues can achieve on higher sales.

NTT, which faces a government decision next year on whether it is to be split up into several companies or allowed to remain intact, has been reducing costs and responding to criticism that it is a bureaucratic and inefficient organisation.

It has announced plans to reduce its workforce by 45,000 over the next five years and implement a gradual, but considerable, reduction in local call charges.

Nevertheless, its operating profits to sales margins of about 5 per cent, although a significant improvement over last year's 2.5 per cent, are way below the 20 per cent or so made by British Telecommunications, Mr Dargan points out.

While there is still room to improve efficiency, NTT has benefited from an increase in its basic charge this year, which is a significant contributor to its profits improvement.

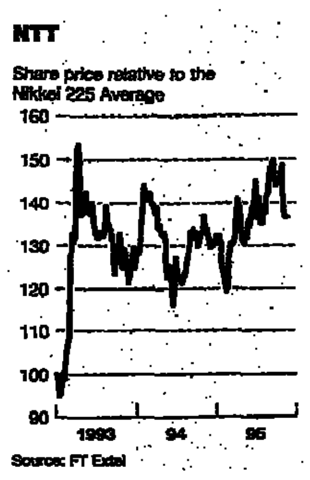
Revenues from fixed telephone lines also increased, partly due to new services, such as one which allows customers to pay a flat monthly rate for late night and early morning calls.

The number of new fixed-line subscribers rose 2.8 per cent from the previous term while high-speed digital transmission services for leased-circuit subscribers nearly tripled.

NTT forecasts an increase in revenues for the full year to Y6,157bn from a previous Y5,875.7bn and a strong rise in recurring profits to Y299bn, against Y142.6bn.

● Cost-cutting measures and strong demand for cellular phone services enabled DDI, one of Japan's three long-distance carriers which compete with NTT, to more than double recurring profits in the first half.

DDI's recurring profits rose to Y30.5bn on higher sales of Y223.7bn.



The long-distance carrier, which moved to the first section of the Tokyo Stock Exchange on September 1, was helped by strong demand for cellular services in Japan.

Embattled Wu keeps marketing confidence

The Hopewell Holdings chief has to convince investors that halving debt is not a problem

"Getting the money from the banks is the easy part, but repaying them on time and with interest is the difficult bit," Mr Gordon Wu joked yesterday.

It was characteristic of the managing director of Hopewell Holdings, the Hong Kong property and infrastructure group, that he said this with a chuckle. But the most enthusiastic of Hong Kong's entrepreneurs was unable to disguise the signs of the strain he had been under recently, as rumours of Hopewell's alleged financial difficulties circulated the Hong Kong stock market.

Hopewell's share price has fallen by more than 12 per cent in the past fortnight. On top of this Mr Wu faced a furore over his pledge of US$100m to Princeton University, rather than a Chinese institution.

"If [analysts] want to look for bankruptcy proceedings they will be disappointed," he said in an interview. "We have good cash flow."

Yesterday, flanked by two non-executive directors, Mr Charles Lee, a former stock exchange chairman, and his brother Dr Clyde Wu, the man who has pulled so many rabbits out of the hat did it again when he outlined a restructuring of the group designed to at least halve the company's HK$24bn (US$3.1bn) of debts.

Mr Wu accepted that Hopewell's gearing, at 64 per cent, was too high and that a ratio of between 15 per cent and 30 per cent would be desirable.

His presentation was full of his usual swipes at stock market analysts – "I never bite off more than I can chew" – but the truth of the matter is that the need for the restructuring was brought to investors' attention by analysts. On at least three occasions he said Hopewell would not go bankrupt.

Analysts' concerns about the company have increased over recent weeks. Without a fresh injection of cash – either more loans, a rights issue or asset sales – it was unclear to them how the company would meet its stated funding obligations of about HK$12bn.

Its recently published accounts showed cash in excess of HK$6.5bn, but this was a consolidated figure; some HK$5.8bn belongs to Consolidated Electric Power Asia, Hopewell's listed power company in which it holds a 56 per cent (partly-paid) interest.

In reality, when unused debt facilities of HK$4.8bn and cash of about HK$1bn were taken into account, the company had only half the estimated HK$12bn it needed.

Mr Wu said the HK$2bn final payment due early next month on Hopewell's Cepa shares would be made by borrowing HK$2bn from the Hongkong and Shanghai Banking Corporation. This will bring to HK$9bn the amount of money the bank has advanced to Mr Wu in less than a year and the loans may well rise a further HK$500m before they begin to be paid down.

But paid down they will be. Mr Wu said he would sell between 25 per cent and 35 per cent of his south China "super highway" that connects the booming special economic zone of Shenzhen, near Hong Kong, to Guangzhou, the capital of Guangdong province. He refused to put a figure on what such a sale would raise.

Negotiations with the Guangdong authorities about profit sharing and cost overruns are nearing completion. Mr Wu said he was happy with the way the talks were going. Hopewell is entitled to 42 per cent of the highway's profits from tolls and 80 per cent of the proceeds of property developments at interchanges along its route.

A year ago a 2.5 per cent stake in the road was sold to Kanematsu for HK$950m. This suggests that Mr Wu might be able to raise HK$9.5bn to HK$11.5bn and achieve his aim of cutting Hopewell's gearing in half by this asset sale alone.

However, Mr David Barden, analyst at Baring Securities, said he doubted investors would pay this price. "The road is a viable project," he said. "But the property development opportunity is an element in the project that mystifies people. Kanematsu clearly saw something that others can't. People will take a piece of it, but for nowhere near what Kanematsu paid."

Gordon Wu: suggested he might remove all debt — Ashley Ashwood

Mr Wu said he might go further and eradicate all debt from the company's balance sheet. "Since everyone is so adverse to debt, let's make [Hopewell] a debt-free company," he said sharply.

He added that he would consider selling up to 40 per cent of his central Bangkok road, rail and property development venture to private investors.

He said a preliminary value of HK$30bn to HK$40bn had been placed on the project, which suggests a 40 per cent stake might be worth as much HK$16bn.

This is an aggressive valuation, given that less than 10 per cent of the project has been completed, and the cost has grown from US$3bn to US$3.2bn. Mr Wu, on the other hand, stresses that the project received a fillip from the King of Thailand's endorsement of the scheme.

"The reason why we haven't asked co-investors earlier is that I said to them that getting into these projects requires a lot of negotiations, and I didn't want them coming back six months later complaining of delays," he said. "Unless and until we're absolutely sure we have the go-ahead, we wouldn't ask them in."

By the end of this year he expects to have 95 per cent of the government approvals he needs to complete the project. His confidence is also boosted by Thailand's decision to host the Asian Games in 1998, believing that national pride may help him overcome future obstacles.

Mr Wu remarked: "I am a marketer of projects." His biggest project – convincing investors that he can cut debt and preserve shareholder value – lies before him.

GORDON WU'S TRACK RECORD

Project		Cost HK$m	Financing: Equity HK$m	Financing: Banks HK$m	Arranged	Status
PROJECTS COMPLETED						
[illegible]	[illegible]	[illegible]	[illegible]	585.6	1982	Repaid 1990
Shajiao B Power Station	[illegible]	[illegible]	785.7	3,833.3	1985	Repaid 1994
Panda Hotel	1,026rm	[illegible]	377.1	300.0	1988	Repaid 1994, 2 yrs ahead
GSZ East Superhighway	122km	[illegible]	2,500.0	8,240.0	1990	Repayment on schedule
[illegible]	[illegible]	[illegible]	35.6	234.9	1989	Repaid 1993
[illegible]	[illegible]	[illegible]	78.0	226.2	1992	HK$47m remains, ahead
Shajiao C Power Station	[illegible]	[illegible]	[illegible]	5,850.0	1992	Just completed
[illegible]	[illegible]	[illegible]	[illegible]	5,444.4	1992	Just completed
[illegible]		[illegible]	800.0	1,260.0	1991	Just completed
Total		[illegible]	15,480.8	23,412.9		
PROJECTS UNDER WAY						
[illegible]	[illegible]	10,545.6	2,852.0	7,693.6	1995	Financing arranged
Tanjong Jati Power Station	1,320MW	[illegible]	[illegible]	10,374.0	1995	Financing arranged
Total		[illegible]	[illegible]	18,267.6		
PROJECTS TO BE FUNDED BY BANKS						
GSZ [illegible]		[illegible]	2,400.0			
GSZ Superhighway [illegible]		[illegible]	5,000.0			
Bangkok [illegible]		[illegible]	2,500.0			
[illegible]		[illegible]	2,158.0			
[illegible]		[illegible]	750.0			
[illegible]		[illegible]	385.0			
[illegible] Power Station		[illegible]	0.0			
Total		[illegible]	13,194.0			

Source: company

Qantas set to alter its share structure

By Nikki Tait in Sydney

Qantas, the recently-privatised Australian airline, is considering changing its share structure to facilitate trading by foreign investors, who are inhibited by the 49 per cent foreign ownership limit.

Mr Gary Pemberton, chairman, said yesterday that in response to requests by foreign investors, the airline was discussing the issue with domestic institutions and overseas shareholders. There was a "very high likelihood" that a change would be put to shareholders, probably at an annual meeting.

The problem has arisen because, by law, Qantas must be 51 per cent Australian-owned. However, since its shares were floated, foreign demand has outstripped that from domestic investors, and the foreign ownership now stands consistently at the maximum 49 per cent level.

With the foreign-ownership limit reached, "foreign buyers cannot undertake large trades with any certainty that they will be able to keep the shares," Mr Pemberton said.

One solution – a two-class share structure, with A shares for domestic investors and B for foreigners – has been suggested by commentators. This system operates at Air New Zealand and Singapore Airlines, for example. However, Qantas ruled out the two-tier system at the float, arguing that the value of the Australian-held shares would be significantly lower if they were insulated from foreign demand.

Yesterday Mr Pemberton indicated this was not the only – or even favoured – solution. Another option might be to "tag" the existing foreign-held shares and then allow them to be freely traded among overseas investors. This would be simpler, although price differentials would still emerge. Any change would be put to shareholders for approval.

Mr Pemberton's comments followed Qantas' first annual meeting as a privatised company. The airline warned there had been a "slight softening" in the market, notably on the domestic side, and "some weakness in both loads and yields against the prospectus forecast". But this was being made up by larger-than-expected cost savings, and trading was "on target" to meet forecasts made at the time of the float.

The Qantas chairman also remained circumspect about the likely fate of the company's 19.4 per cent interest in Air New Zealand, which is planning to link with Ansett, Qantas' main domestic competitor. The Air NZ-Ansett deal could provoke "a period of further significant change in aviation policy arrangements" as the Australian and New Zealand governments tackled the regulatory issues.

NEWS DIGEST

ANZ ahead after strong lending rise

Australia and New Zealand Banking group yesterday reported better-than-expected results for the year. The bank, which recorded strong lending growth in all its businesses while maintaining interest margins, recorded a 29 per cent increase in profits after tax but before abnormals to A$1.03bn (US$770m) in the year to end-September.

Provisions for bad and doubtful debts continued to decline sharply, to A$174m against A$381m last time. Net interest income rose from A$2.8bn to A$3.08bn, while other operating income was static at A$1.97bn. In the latter category, ANZ said lending fees had been lower despite an increase in lending volumes. Profits on trading instruments were also down significantly, offset by increases in credit card fees and electronic transaction services.

Operating expenses increased 5 per cent overall, to A$3.33bn, partly because of a new wages agreement. Geographically, the strongest performance was in the domestic market, where after-tax profits rose from A$457m to A$612m. The New Zealand and international operations also posted increases, with after-tax profits at A$146m (A$95m), and A$275m (A$251m) respectively. The final dividend is 18 cents a share, up from 14 cents, making 33 cents for the year, compared with 25 cents last time. Net profits after abnormals were A$1.05bn from A$822m. *Nikki Tait, Sydney*

Ricoh up sharply on cost cuts

Ricoh, the Japanese office equipment maker which bought Gestetner of the UK in September, reported a sharp rise in interim profits, thanks to cost cutting and price increases in sales to its affiliates. Non-consolidated recurring profits – before tax and extraordinary items – for the first half to September jumped 41.1 per cent to Y14.3bn ($141m), on a 1.8 per cent rise in sales to Y310.7bn. After-tax profits rose 15.4 per cent to Y8bn.

Operating profits increased 27.4 per cent to Y11.6bn because of cost cuts in the copier division. The shift from analogue copiers to digital copiers, which have higher profit margins, also improved profitability. Ricoh's non-operating profits rose 54.5 per cent on appraisal gains after it had set its initial in-house foreign exchange rate of Y85 to the dollar. The company also saw a 36.8 per cent rise in non-operating losses from costs related to its convertible bond issue.

Copier sales rose 3.6 per cent to Y214.5bn, information equipment sales fell 9.2 per cent to Y67bn and photographic equipment sales dropped 2.5 per cent to Y6.7bn. For the year to next March, Ricoh expects unconsolidated recurring profits to rise 34.1 per cent to Y29bn on a 2.7 per cent rise in sales to Y633bn. The company added Y5.5bn and Y3bn to the initially projected recurring profit and sales figures respectively after revising its in-house foreign exchange rate to Y90. It said if the dollar traded at Y100, sales and recurring profits would each rise by Y2bn. *Emiko Terazono, Tokyo*

Toray margins remain slim

Toray Industries, Japan's largest producer of synthetic fibres, said yesterday it was recovering from three years of declining sales and profits. Toray, whose improvement was mainly achieved on cost cutting, saw consolidated sales rise 5.7 per cent to Y454.3bn ($4.48bn) in the six months to September, on which recurring profits – before tax and extraordinary items – jumped 26.3 per cent to Y18.35bn.

However, that improvement came from a very low base. Despite the profits upturn, Toray's margins remained slim, at 4 per cent of turnover. In its core business of fibres and textiles, accounting for 46 per cent of sales, turnover was up 2.6 per cent. Plastics and chemicals division sales rose 10.4 per cent. Toray forecasts a 5 per cent rise in unconsolidated recurring profits to Y36bn for the year to next March, on sales up 4.3 per cent to Y550bn. *William Dawkins, Tokyo*

Absa result 'confirms turnround'

Amalgamated Banks of South Africa, the country's largest banking group, reported an 8.9 per cent rise in pre-tax profits to R665.2m ($182m) for the six months to September 30. Earnings per share before exceptional items increased 22.5 per cent to 73.1 cents and the interim dividend is being lifted to 21.5 cents from 18.5 cents.

Dr Danie Cronje, chief executive, said the results confirmed Absa's turnround after difficulties merging the group's four retail banks. Analysts, however, attributed the improvement chiefly to reductions in the effective tax rate. Dr Cronje forecast a lower demand for credit in the second half but was confident of "at least equal" earnings.

Operating income rose 16.3 per cent to R3.1bn, reflecting growth in the mortgage portfolio, Absa's core business, and improved performance in the instalment finance sector where margins were higher. Advances had grown by 18 per cent since September 1994, without a corresponding increase in bad debts. *Mark Ashurst, Johannesburg*

Investors fear the pulp and paper industry has reached a turning point. FT writers examine the outlook for the sector

Producers hope even the bad times can be good

Gloom in the sector is deepening as groups in US and Europe cut output to stop prices slipping further

Demand is down and prices are weakening. Is this a blip in the pulp and paper cycle, or the start of the next downturn?

Judging by the sharp drop in pulp and paper shares in recent months, many investors see a gloomier scenario. Their confidence will not have been helped by recent signs of adverse profit trends at Arjo Wiggins Appleton, the Franco-British paper group, and KNP BT, the Dutch group.

The slowdown has circled the world, starting in Europe this summer, moving on to the US and now starting to hit the previously buoyant Asian market. According to one Vancouver-based trader, Japan is virtually the only bright spot.

The immediate cause of the problems is a build-up of stocks, driven by the unprecedented rate at which prices for pulp and paper have risen over the last two years. The resulting overhang has curtailed demand and is starting to affect prices.

In Europe, efforts to lift softwood pulp prices to $1,000 a tonne from October have met resistance and prices for high-quality fine papers have begun to weaken. In North America, packaging materials and white papers have suffered the biggest price drops. US linerboard producers this month cut list prices by $20-$30 a tonne to about $480. North American newsprint producers have announced a price increase for the first quarter of next year, but there are doubts whether they will be able to implement this fully or on time.

Companies in North America and Europe are cutting production to stop prices from slipping. Many North American containerboard and white paper mills, for example, have shut machines for two or three weeks at a time, and scheduled longer-than-usual Christmas breaks.

But producers in countries such as Brazil and Indonesia have been less co-operative. The hardwood pulp market is flooded with supplies from Russia and Indonesia, with prices tumbling from $875 to about $700 a tonne. The problem, as one trader says, is that "they have lowered prices, but they have not created demand".

The gloom has led a number of analysts to predict lower softwood pulp prices early next year, gradually feeding into the paper chain. AssiDomän, the Swedish producer, said this week that pulp prices going into 1996 would be around $900 a tonne. "Prices are probably going to fall quite sharply next year," warns Mr Denis Christie, of Kleinwort Benson in London.

Among the pessimists are Mr Chip Dillon, an analyst at Salomon Brothers in New York, who believed until recently that the paper industry had broken out of its "feast or famine" tradition. "With the industry currently working off a large inventory bubble, we see an increasing potential for a normal two to three-year downcycle," he told clients last week.

Mr Dillon has counted 273 projects which could add as much as 35m tonnes of paper to world supplies over the next four years, equivalent to a 17 per cent increase. While North American producers have installed little new capacity, "the problem is that people in Korea, Taiwan, China and Europe don't practice that religion," Mr Dillon says.

But others argue that overcapacity is not the problem. "What we are talking about is a normal slowdown, not structural overcapacity," one Swedish analyst insists. "With a slowdown, capacity utilisation might fall to 90 per cent. With overcapacity on top, it would fall to 80 per cent and then prices would really dive."

Whether the current difficulties amount to a blip in a still rising market or the first signs of a downturn will depend greatly on how the world economy performs next year. The outcome will also depend on manufacturers being prepared to continue to curtail production in order to get the market back to equilibrium.

Mr Tim Rothwell, paper and packaging analyst at Gerrard Vivian Gray, a London stockbroker, says the market in the UK and Europe is merely undergoing a correction to the sharp demand growth and soaring price rises of the past year. "As long as the UK and Europe don't enter recession, the demand prospects for 1996 are much better than many fear." MoDo, the Swedish group, supports this view, saying demand will rise again once stocks have been unwound.

However, if this is the start of a downturn, the hope is that industry consolidation, restructuring and limited new capacity addition will create the conditions for a soft landing.

Analysts are taking no chances, downgrading their profit forecasts for 1996. But even their new predictions seem too hopeful for many investors. They have marked down some pulp and paper stocks by more than 30 per cent since mid-year, apparently anticipating a repeat of the last cycle, when companies aggressively cut prices to retain market share and ended up suffering large losses.

The sell-off shows the pulp and paper industry will only regain investors' confidence when it proves it can make profits even in cyclical slumps.

Bernard Simon, Deborah Hargreaves and Christopher Brown-Humes

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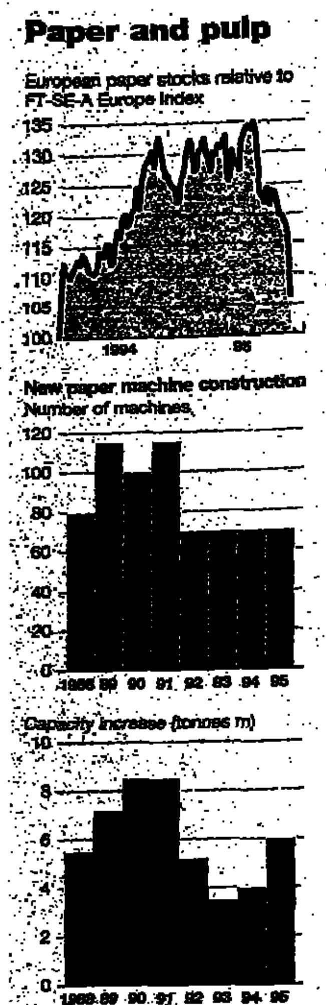
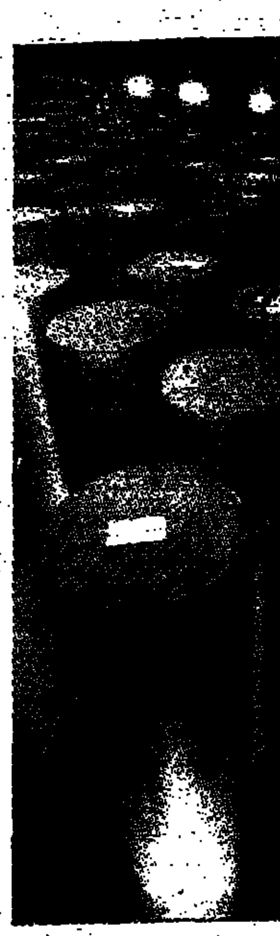
KNP BT, the Dutch paper and packaging group that has seen the resignation of two senior packaging executives in the past week, said yesterday it planned to meet trade unions in January to discuss the problems in its solid board sector, writes Ronald van de Krol in Amsterdam. Mr Frank de Wit, deputy chairman of the executive board, said the company would be taking stock of its problems before meeting the unions. He reaffirmed that the company had no plans to withdraw from solid board. This suggests the measures would involve a new round of restructuring. KNP BT said it was "bitterly disappointed" by the results of an earlier restructuring launched after the group was formed in 1993 out of a three-way merger.

KNP BT said the problems in solid board were caused in part by difficulties in the Netherlands' horticulture sector, which has traditionally used carton boxes to ship lettuce, tomatoes and other produce. The growing use of reuseable plastic crates was another factor. KNP BT also announced that Mr de Wit would become chairman of the executive board in May 1996 following the retirement of Mr Robert van Oordt.

Paper and pulp





Sources: FT Extel, Jaakko Pöyry

European printing and writing paper

% growth in demand per year	1980-94 av	1994	*1995
Coated Free	9.7	16.0	-1.0
Uncoated Free	4.2	11.0	-4.0
Coated Groundwood	7.3	10.0	10.0
Uncoated Groundwood	1.9	10.0	11.0
Total printing and writing	5.7	12.0	2.3

Source: EMGE % Co, World Graphics Paper Series *Estimate

SCA and MoDo to cut production

By Christopher Brown-Humes in Stockholm

SCA and MoDo, two of Sweden's leading forestry groups, yesterday announced big increases in nine-month profits, but said they were cutting production to support prices after the recent shift to bearish sentiment in the sector.

SCA, Europe's biggest pulp and paper group, lifted profits from SKr1.59bn to SKr4.3bn ($659m), helped by its acquisition of the German group PWA earlier this year.

MoDo reported a four-fold rise in profits from SKr1.01bn to SKr4.32bn as it benefited from big increases in prices for pulp, fine paper and newsprint.

The figures were well-received by the market: MoDo's B shares rose SKr7 to SKr324, while SCA's climbed SKr2 to SKr112, partially reversing the sharp declines of recent weeks.

Both companies said demand for some grades had weakened in the third quarter, and promised production cuts to help reduce inventory overhangs.

SCA said it would cut output of fine paper and testliner (a waste paper-based material for packaging), while MoDo said it was cutting fine paper production by up to 25 per cent.

SCA said the seasonal decline in the packaging and fine papers markets in the third quarter was "significantly larger than normal".

Prices for fine paper, recycled paper, pulp and containerboard began to weaken towards the end of the period, it added.

While much of the blame was put on inventory build-ups, "a general weakening of the economy could be a contributory cause", it said.

The build-up of fine paper stocks is the main reason why demand for pulp has weakened and attempts to lift pulp prices to $1,000 a tonne have been resisted.

However, both MoDo and SCA believe demand could rise again once the stock overhang has been removed.

Mr Sverker Martin-Löf, SCA chief executive, said the group was not expecting big price falls. Nor did he rule out a further price increase for newsprint, a late cycle grade where demand remains strong.

SCA said weaker fine paper and containerboard prices meant full-year profits were likely to be at the lower end of its earlier SKr5.5bn to SKr6bn forecast. Group nine-month sales rose from SKr24.7bn to SKr50.3bn, while operating profits increased from SKr2.14bn to SKr5.52bn.

In the third quarter operating profits rose from SKr754m to SKr1.76bn, while sales increased from SKr9.1bn to SKr16.3bn.

MoDo said its nine-month operating profits had risen from SKr1.65bn from SKr4.84bn, on sales of SKr17.3bn, against SKr14.4bn.

Its third-quarter profit climbed from SKr739m to SKr1.87bn, after sales rose from Skr4.98bn to SKr5.65bn.

The group insisted it was receiving $1,000 a tonne for its pulp, contradicting reports from other producers who say prices have fallen below that level.

Japan groups receive lift from strong yen

By Michiyo Nakamoto in Tokyo

Japanese paper companies have managed to offset the adverse effects of higher raw material costs with the help of a strong yen, which has lowered their dollar-denominated costs significantly.

Although Japanese paper companies do not publicise the amount of raw materials procured overseas, Mr Giles Ockenden, industry analyst at Jardine Fleming in Tokyo, estimates that about 50 per cent of their material costs – mainly chips and chemicals – are denominated in US dollars.

As costs have fallen, Japan's paper companies have also managed to raise their domestic prices because of strong demand and a fall in inventories.

The combined effect of high prices at home and lower dollar-denominated costs has enabled them to improve their profit margins spectacularly, Mr Ockenden says.

New Oji Paper, Japan's largest paper producer, increased profits more than three-fold in the first half of the current financial year, largely because of higher margins, rather than increased sales.

New Oji Paper's recurring profits rose from Y6.6bn in the previous first half to Y22.5bn ($222m), on sales 9.3 per cent higher at Y295.5bn.

The benefits Japanese paper companies have enjoyed from a strong yen have not yet been undermined by increased competition from foreign suppliers, despite the higher prices Japanese paper companies charge their customers.

Newsprint, for example, is priced at about Y131,000 ($1,292) a metric tonne, compared with about $750 in the US, Mr Ockenden notes.

So far, US companies have been too busy trying to meet demand at home to turn their attention to the Japanese market, where foreign paper companies are at a disadvantage because of close supplier-user relationships.

However, Mr Ockenden believes Japanese paper companies could find their margins eroded by increasing foreign competition as the slowdown in the US economy increases pressure on Japan to open its paper market.

Recent yen weakness is also likely to hamper margin improvement, making the near-term outlook for Japanese paper companies less promising.

Machinery makers paint a far brighter picture

It is a good time to be a paper machinery maker. The upturn in the forest products cycle has brought a flurry of equipment orders from pulp and paper groups needing to lift capacity to meet strong increases in demand.

The sector is dominated by three groups – Valmet of Finland, Beloit of the US, and Voith Sulzer Papiertechnik (VSPT), the joint venture German-Swiss group formed last year.

According to Jaakko Pöyry, the Finnish forestry consulting group, these companies won 85 per cent of new paper machinery orders between 1988 and 1994.

Valmet confirms that 1995 is shaping up to be the industry's best year for some time. The Finnish group reported profits of FM328m ($78m) for the first eight months – a sharp turnround from losses of FM74m a year earlier.

It won paper and board machinery orders worth FM6.48bn during this period, up 74 per cent from the previous year. The figure included orders for eight machines as well as rebuilding machinery.

A bright picture is painted by Beloit, which is 80 per cent owned by Harnischfeger, the Milwaukee-based capital equipment supplier, and 20 per cent by Japan's Mitsubishi. Harnischfeger reported a jump in third-quarter paper machinery sales from $189m to $253m, while operating profits leapt from $6.5m to $38.3m. Although VSPT does not give details of its operating results, Mr Hans Müller, chairman, has been optimistic about prospects in the current financial year.

It is not just the number of orders which have been rising: prices have been going up. According to Jaakko Pöyry, a machine ordered today might cost 25 per cent more than in 1993, partly reflecting higher raw material costs – but because the equipment is more advanced and can operate at faster speed, in terms of tonnes produced it may be no more expensive.

For investors in the pulp and paper sector, none of this is good news. Indeed, forestry companies have got used to seeing their share prices plummet when they announce a big investment. Investors fear a repeat of the last cycle, when over-investment in machines created the overcapacity that aggravated the collapse in paper prices when demand began to weaken.

The message that pulp and paper groups and machinery makers are anxious to get across is that they have learnt their lesson the hard way. Mr Otto Freund, senior vice-president at Valmet, says: "There have been fewer orders in this cycle. It's an altogether more controlled situation."

Mr Jeffery Grade, Harnischfeger's chief executive, says he detects "a much more reasoned approach to a high capacity utilisation problem".

Figures from Jaakko Pöyry support the view that paper-making capacity has risen less in the current upswing than in the last one between 1988 and 1991. Between 1992 and 1995, an average of 70 machines a year were built, adding total capacity of about 18.7m tonnes. But between 1988 and 1991, about 100 machines a year were built – and the total capacity expansion was 29.7m tonnes.

There are two main differences between the two cycles. First, there is a greater emphasis in Europe and North America on rebuilding machines. Rebuilding is a cheaper and quicker way of increasing capacity, and avoids a two-year wait for a new machine which might come on stream after the market has peaked. It is estimated that new machinery orders in Europe are running at only one-third or one-half of their level of the previous cycle.

The second difference is the increase in investment in Asia, where paper making capacity is expanding to match rapid economic growth. VSPT says 16 of the 29 orders it has in hand relate to Asian business. Most of the orders from this region are for new machines.

Although the current cycle has seen heavy investment in certain paper grades, such as coated fine paper in Europe, most commentators do not believe there has been over-investment.

Mr Kari Ramo, director of Jaakko Pöyry, says world paper demand is growing by 7m tonnes a year, and capacity (new and rebuilt machines minus equipment taken out of service) is not rising any faster than that.

Largely because of this restraint, there is a consensus that the pulp and paper sector is heading for a soft landing in the next downturn. Equally, there is a view that demand for new and rebuilt machines will be more stable. Mr Grade, for example, predicts demand will remain strong into 1997. An added reason for believing in this more disciplined development is the consolidation that has taken place within the pulp and paper industry and the machinery sector over the last few years.

"We would rather have a stable development than big changes in demand," stresses Mr Freund. But he notes that as the pulp and paper cycle nears the peak of its cycle, there are signs of a more cautious attitude towards investment in certain grades, including board and fine paper.

This indicates that machinery makers will continue to depend on swings in the forest industry, even if the next downturn is not as deep as the last one.

Christopher Brown-Humes, Bernard Simon and Wolfgang Münchau

Dow Chemical makes further petrochemical buy in Argentina

By David Pilling in Buenos Aires

Dow Chemical of the US will become the biggest petrochemicals producer in Argentina following its announcement yesterday that it would pay local group Ipako $193.4m for 100 per cent of the Polisur polyethylene plant.

Earlier this week, a Dow-led consortium paid $357.5m for the state's 51 per cent of ethylene plant Petroquimica Bahia Blanca and 38.18 per cent of Indupa, Argentina's other main polyethylene producer.

Both the Indupa and Polisur plants are in the Bahia Blanca complex, 600 km south-west of Buenos Aires.

Dow said its acquisition of Polisur and of Ipako's 21 per cent stake in PBB should be completed no later than February 28. Assuming the sale goes through, the US company will control 65 per cent of Argentina's polyethylene market, worth a total $350m in annual sales.

Argentina's polyethylene market was growing at a "very aggressive" rate of between 6 per cent and 7 per cent a year, about double that of the US, according to Mr Charles Kalil, Dow's director of legal affairs for Latin America. Indupa and Polisur produce a combined 455,000 tonnes of polyethylene a year.

Dow's investments represented "a major restructuring of the Argentine petrochemical industry," said Mr Christopher Ecclestone, analyst at brokers Interacciones. "Argentina has enormous quantities of gas, so they're looking for ways to use it."

Dow had purchased, at a very reasonable cost, "a world-scale plant near a world-scale gas field" in Neuquén, Patagonia, he said.

The attention provoked by Dow's entrance into the Argentine petrochemicals market could prompt action from other multinational and domestic chemical companies.

Dow said it planned to double the capacity of PBB, which would require a further investment of between $300m and $400m.

Hydro-Quebec widens loss in third quarter

By Robert Gibbens in Montreal

Higher interest costs deepened the third-quarter loss for Hydro-Quebec, one of Canada's two biggest power utilities and a big international borrower.

Hydro-Quebec normally reports a loss in the third quarter due to seasonal factors. However, this year's loss widened to C$192m (US$142m), from a $166m loss a year earlier. Power sales by volume were higher and revenues rose 5.6 per cent to $1.6bn.

In the first nine months, profit was $114m, down 72 per cent, on revenues of $5.5bn, up 2.9 per cent. Financial charges, including foreign exchange losses, totalled $2.45bn, up 19 per cent, because of a rise in interest costs and higher depreciation as new equipment was brought on stream.

The utility's 1995 investment programme will be almost $3bn, down from $3.3bn in 1994, mainly for new generating equipment and modernising distribution. Hydro-Quebec International has signed co-operation and technical agreements with Malaysia, South Korea and the Philippines for covering new generating projects and training.

● Maxus Energy, the international exploration and production arm of Argentine oil and gas producer YPF, said its directors authorised management to pursue joint venture and alliance discussions with a limited number of parties with respect to its US natural gas assets, Reuter reports.

Banco Nacional minority investors face big loss

By Jonathan Wheatley in São Paulo

Minority shareholders in Brazil's Banco Nacional, which was bought at the weekend by Unibanco, may soon see their investments crumble to nothing.

Legal safeguards that would have protected their interests were withdrawn two weeks before the bank's "good" assets were sold to its main rival and the remainder – an investment bank and bad loans of an estimated $4bn – put under special administration by the central bank.

"Nacional's minority shareholders have been sold down the river," said Mr Gregório Mancebo Rodriguez, vice-president of the Brazilian Association of Capital Market Analysts.

"They had no way of knowing Nacional was in trouble and now they have no right to claim compensation."

Last Saturday's deal between Nacional, Unibanco and the Central Bank was the first to benefit from a provisional decree issued on November 3 that was designed to ease liquidity problems in the banking sector by offering low-cost financing for mergers and acquisitions.

The decree – which has the force of law, although it must still be ratified by Congress – also sought to facilitate such deals by revoking the right of minority shareholders who object to a merger or sale to cash in their shares at the value stated in the most recent company accounts.

Rumours had been circulating in recent months that Nacional and Unibanco were to merge, and many investors bought into Nacional on the prospect of a sharp upturn in ... reports said that Unibanco was interested in a takeover of Nacional's retail operations. When fresh rumours spread that Nacional was facing severe liquidity difficulties, Brazil's securities commission, the CVM, suspended trading in the shares of both banks "to protect minority shareholders from potential losses resulting from the lack of information" on any deal.

The banks' shares remain suspended and trading will not resume until the CVM has received clarification from the Central Bank on the value of ...

Directors of both banks denied until the last moment that any deal was in the offing, while the Central Bank also denied reports of any liquidity difficulties. Mr Rodriguez said the Central Bank was right to seek to avoid instability in the banking sector but that the rights of minority shareholders had been sacrificed in favour of account holders.

"What remains of Banco Nacional is a name and a pile of bad debts," he said. "If its shares ever start trading again the most they can be worth is 5 per cent or 10 per cent of their ...

هكذا من الأصل

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Sharp variations in costs raises fears for man-made fibres market

Courtaulds falls 16% to £68m

By Jenny Luesby

Sharp variations in bulk chemicals prices over the past year may have permanently damaged the market for man-made fibres, Mr Sipko Huismans, chief executive of Courtaulds, the chemicals company, warned yesterday.

Delivering interim results, he said the variations, which have seen prices double and then return to their previous level within a year, had driven away customers who would not return. Mr Huismans said this made "a realignment in European [man-made fibres] capacity inevitable".

The "remarkable round trip" in raw material prices left Courtaulds' pre-tax profits down 16 per cent at £67.8m ($107m), on sales up 11 per cent at £1.15bn in the first half. The acrylics and viscose businesses were hardest hit.

Prices for acrylonitrile, used to make acrylic fibres, jumped from $700 a tonne to $1,500 a tonne last year, before returning to $700 a tonne.

Similarly, prices for wood pulp, used to make viscose, nearly doubled. At current levels, wood pulp prices were adding £100m a year to the company's costs compared with the long-term average, he said.

Passing on these costs to customers had damaged sales volumes by "pricing acrylic out of the market".

Courtaulds shares closed up 39p at 399p yesterday, on the strength of the rest of the company's results – with many analysts downgrading their profit forecasts for this year to around £140m, but upgrading for the next two years, to about £180m and £210m.

Despite "unsympathetic markets", the company reported improved margins in coatings and sealants, and polymers, which together accounted for 60 per cent of operating profits.

In coatings and sealants, last year's restructuring lifted operating profits 14 per cent, on sales up 11 per cent. Within polymers, operating profits rose 33 per cent on sales up 14 per cent.

Mr Huisman said the group planned to make disposals from within its polymers business to reduce debt, which stood at £376m.

The prospect of further disposals concerned some analysts, who pointed to the limited growth potential offered by the company's Asian expansions and new man-made fibre, Tencel.

Mr Alastair Nisbet of UBS questioned the prospects for Tencel, which he said was far too expensive to be a viable substitute for cotton.

Trevor Humphries

Sipko Huismans: expecting a realignment in fibres

Granada makes landmark issue to finance deal

The funding of Granada's offer for Forte involves the largest share issue underwritten for cash in any bid since Big Bang in 1986, in addition to the raising of a £2.5bn ($3.95bn) loan. The deal would boost Granada's debts from £342m to more than £3bn and gearing to more than 160 per cent.

The deal is seen as an important milestone for the City because of the role played by stockbrokers BZW Securities and ABN Amro Hoare Govett.

Unusually, the bulk of primary underwriting for the £1.8bn of shares was taken on not by Granada's financial adviser, Lazard Brothers, but by its joint brokers BZW and Hoare Govett, both of which are owned by large banks. BZW took just under half of the underwriting and its parent, Barclays, and ABN Amro also provided a large part of the debt finance.

A rival investment banker said the role played by Barclays and BZW showed how the City was changing. "This is a good example of the strength of integrated banks which have both powerful equity distribution backed by a strong balance sheet and money to put behind a transaction."

The sub-underwriting of the issue was divided between BZW and Hoare Govett at a price of 625p.

Syndicating Granada's debt looked as though it would prove an easy process. One banker involved said that judging by the number of phone calls from banks wishing to participate, "it makes you wonder how many friends Forte has among the banks".

Granada is cash generative and aims to reduce its debt quickly. Mr Gerry Robinson, chief executive, said the group hoped to make about £500m from early disposals. By the end of next year it intended to have debt down to £2.5bn, gearing at 130 per cent and interest cover of four times.

Granada is funding the bid with a mixture of 269m new shares and £1.6bn cash.

It is offering four new Granada shares and £23.25 in cash for every 15 Forte shares. At Granada's closing price of 649p, each Forte share is valued at 326p and the group at £3.28bn.

The cash alternative, which is fully underwritten by Lazard Brothers, BZW Securities and Hoare Govett, is worth 321.67p.

4 new channels planned

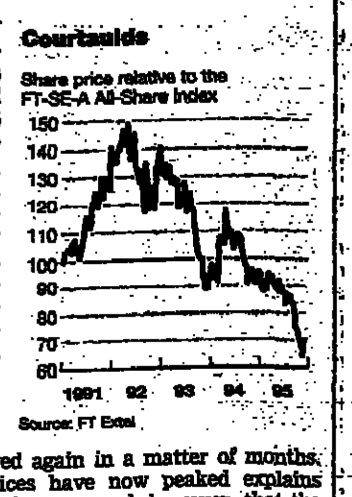
Granada plans to go ahead with the launch of up to four television channels for cable and satellite television next year whatever the outcome of its £3.4bn bid for Forte.

It announced its plans at the same time as reporting pre-tax profits for the 52 weeks to the end of September from £265m to £351.3m ($555m) while sales grew from £2.1bn to £2.38bn, including £67.1m from acquisitions.

The first full-year contribution from London Weekend Television, Granada's last big acquisition, helped to turn television into the group's largest profit generator.

Operating profits from the leisure and services rose by a quarter to £124m, boosted by the £125m acquisition of Pavilion, the motorway services company, in April.

LEX COMMENT
Courtaulds



Notwithstanding an 11 per cent jump in its shares yesterday, Courtaulds has underperformed Imperial Chemical Industries by 35 per cent over the past five years. If that is the hallmark of a specialist chemicals company, investors may prefer a good, old commodity producer. The trouble is that, despite heavy restructuring since the 1990 demerger, a large chunk of Courtaulds' business is still in basic products. This year's problem has been in viscose and acrylic fibres, 30 per cent of sales, whose input costs doubled and then halved again in a matter of months. Hope that raw material prices have now peaked explains yesterday's relief. Courtaulds is concerned, however, that the volatility may have damaged underlying demand. Much of the rest of the portfolio has been knocked into better shape. But given its already strong market positions in mature businesses like marine paints and packaging films, growth prospects look unexciting.

It is no wonder then that the management and the market are setting so much store by Tencel, Courtaulds' new "wonder fibre". Demand is currently outstripping supply and, after heavy investment, profits should follow next year. But even the most optimistic do not expect it to contribute more than £60m, a fifth of operating profits, by 2000. Meanwhile, Austria's Lenzing, which makes a similar product, is up for sale. If it is bought by a rich Asian producer it could present a serious threat. With the shares on a 30 per cent premium to the market, shareholders are being asked to take a lot on trust.

Speculation over C&W recedes

By Peggy Hollinger

Speculation that predators were stalking Cable and Wireless after its board upheavals receded yesterday as the market began to absorb the implications of the telecoms company's formidable poison pills.

The most significant obstacle – a requirement to buy the outstanding 42.5 per cent of Hong Kong Telecom – could add $8bn to any bid cost.

This would mean a bidder would have to come up with $24bn on yesterday's C&W market value of about $16bn; a bid premium could add a further 20 per cent. Some analysts speculated a bidder for C&W would have to pay $29bn.

Many of C&W's contracts around the world, including two of the three most profitable businesses - Hong Kong Telecom and the West Indies - are also contingent on the company's ownership.

Finally, there is a strong possibility that any bidder would face a determined rival in Veba, C&W's 11 per cent shareholder. Veba has agreed not to bid for C&W for 10 years. However, this falls away should anyone buy more than 7.5 per cent.

Stronger FKI continues search for acquisitions

By Patrick Harverson

FKI, the fast-growing engineering group, reported a big increase in interim profits yesterday and said it would continue to look for acquisitions to boost growth.

Pre-tax profits were £39.4m ($62m) for the six months to September 30, up from the £18.7m (or £31.1m excluding the exceptional losses on disposals) in 1994.

FKI increased underlying profits 27 per cent despite difficult conditions in two of its core markets – falling housing starts in US and Canada hit hardware profits while softening demand from the motor industry restricted growth at the automotive division.

These setbacks were withstood because of contributions from acquisitions and improved manufacturing efficiency. Mr Jeff Whalley, chairman, said: "With our wide spread of markets and products we can now stand fluctuations in our main markets."

He said FKI was looking for more acquisitions and three bid targets had been identified, although no announcements were imminent.

Operating profits rose to £44m (£35.9m) on turnover of £429.2m (£407.7m), increasing the return on sales from 9 per cent to 10.3 per cent.

Materials handling profits almost doubled to £14.7m (£7.7m) thanks to a strong contribution from Amdura, the US lifting equipment maker acquired in March for $64.4m (£40.3m).

Hardware profits fell to £18.5m (£20.8m) because of poor levels of housing starts in North America, especially Canada, while automotive profits rose to £5.3m (£3.2m) as cost reductions and growth in brake cable market share offset the impact of a slowdown in vehicle manufacturing. Engineering profits climbed to £5.5m (£4.2m).

The shares rose 4½p to 159½p.

Falling soft wood prices cut Meyer to £20m

By Andrew Taylor, Construction Correspondent

Plunging soft wood prices this year have hit Meyer International hard with pre-tax profits at the timber and builders' merchants falling by 27 per cent from £27.4m to £20.1m ($32m) in the six months to September 30.

The market was cheered, however, by the announcement of a sharp improvement in margins at Jewson, the group's UK builders' merchants chain. Meyer's shares rose 15p to 378p. Mr John Dobby, the chief executive, said operating margins at Jewson had improved from a low of 4.6 per cent in the previous six months, to 5.9 per cent. The rise reflected lower stock levels and reduced staffing.

Lower stocks also released cash to permit net debt to fall from £72.2m the previous September to £29.6m and reduce gearing to 8.2 per cent.

Meyer proposed to spend £20m to relaunch the Jewson name. About half of this would be spent in the current financial-year which would restrict further margin improvement.

Mr Dobby said that conditions remained tough while falling soft wood prices would have a further impact on the UK timber business in the second half. Dutch timber prices, however, had stopped falling. He repeated his warning that profits "for the year as a whole will fall some way short of profits achieved in 1994/95."

Forest product profits dropped 41 per cent in the first half to £5.7m (£9.7m) while Dutch profits halved to Fl 10.9m (£4.4m).

Group turnover dipped from £669.3m to £638.4m.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Courtaulds	6 mths to Sept 30 ☆	1,149	(1,030)	67.8	(80.7)	11.3	(15)	4.3	Jan 21	4.15	-	15.4
Ferraris	Yr to Aug 31	13.2	(11.3)	0.648	(1.06)	6.4	(7)	1.4	Jan 22	1.4	2.35	2.25
FKI	6 mths to Sept 30	429.2	(407.7)	39.4	(18.7♠)	5.26†	(2.02)	2.2	Feb 5	2	-	4.6
Granada	Yr to Sept 30	2,381	(2,098)	351.3	(265.4)	41.3	(33.6)	7.9	April 1	6.67	11.75	10
IWP Intl ♣	6 mths to Sept 30	74.5	(72)	8.75	(7.64)	16.45	(14.53)	4	Jan 27	3.6	-	8.8
Kewill Systems	6 mths to Sept 30	16.6	(16.4)	2.61	(2.17♠)	14.55	(12.16)	3	Mar 1	2.5	-	6.6
Meyer Intl	6 mths to Sept 30	638.4	(669.3)	20.1	(27.4)	10.3	(14.4)	4.2	Feb 2	4.2	-	11.5
OEM	Yr to June 30	4.59	(0.744)	0.451	(0.232L)	7.4	(3.8L)	nil	-	nil	nil	nil
Sterling Inds	6 mths to Sept 30	28.1	(28.2)	3.87	(3.37)	9.56	(8.81)	2.8	Feb 9	2.5	-	7.5
Symonds Eng	6 mths to Sept 30	5.5	(3.2)	0.517	(0.174)	1.64	(1.34)	0.5	Jan 5	0.25	-	0.75
Wagon Industrial	*6 mths to Sept 30*	*193*	*(153.9)*	*12.8*	*(9.62)*	*16.97*	*(12.63)*	*7*	*Feb 20*	*8.65*	-	*18.75*
Waverley Mining	Yr to June 30	1.04★	(0.116)	0.252	(0.248L)	0.8	(1.8L)	nil	-	nil	nil	nil

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Fleming High Inc	6 mths to Oct 31	103.21	(99.9)	0.755	(0.743)	2.32	(2.29)	1.15‡	Jan 2	1.1	-	4.5
F&C Private Eqty	6 mths to Sept 30	42.8	(46.9)	0.051	(0.086)	0.2	(0.34)	-	-	-	-	0.4
M&G Income	9 mths to Oct 31	74.06	(70.3)	11.4	(10.7)	4.59	(4.32)	1.05‡‡	Jan 19	1	-	5
M&G Recovery	6 mths to Sept 30	144.5	(130.68)	3,184	(2,542)	2.35	(1.89)	1	Dec 18	0.9	1.85	1.75
Matheson Lloyd's	6 mths to Sept 30	97.1	(92.9§§)	0.300	(0.077)	1.2	(0.31)	0.8	Feb 15	-	-	0.8
Siam Selective	6 mths to Sept 30	171.9	(202.5)	0.161	(0.129)	0.8	(0.11)	-	-	-	-	0.45

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ☆Comparatives restated. †On increased capital. ♠After exceptional charge. ♣Irish currency. ★Gross income. ‡Second interim; makes 2.3p to date. ‡‡Third interim; makes 3.1p to date. §§For period November 29 1994 to March 31 1995.

Monarch Resources is cutting gold output

Monarch Resources, the London and Toronto listed gold mining company, is reducing the rate of annual output at its La Camorra mine in Venezuela to about 50,000 ounces *compared with the 81,000* ounces planned when the $25m mine started up in June last year.

Cash production costs in the three months to September 30 were $393 an ounce against the $125 predicted when La Camorra was being developed. Monarch is switching the mine to a five-day working week and said this would enable it to cut the workforce and reduce costs.

For the three months to September 30, Monarch reported a net loss of $1.85m or 0.03 cents a share compared with a profit of $317,000 or 0.01 cents. For the first nine months the reported loss was $4.79m or 0.09 cents against net income of $835,000 or 0.02 cents.

Gold production in the third quarter was 16,555 ounces and 50,076 ounces in the nine months compared with 8,543 and 27,066 ounces respectively.

DIGEST

CMG popularity raises valuation

Favourable market conditions and positive reactions from institutions are likely to result in a higher than expected market capitalisation for Computer Management Group, when it is floated simultaneously in London and Amsterdam on December 1.

The European computer software group's prospectus for the proposed placing and intermediaries offer reveals that the offer price is likely to be between 270p and 290p a share, valuing the company at between £172m and £185m. It is raising a net £6.1m.

When CMG originally announced its plans in late September, the shares were expected to be priced at about 250p, valuing the group at about £150m.

It has forecast pre-tax profits of not less than £19.5m for 1995, compared with £14.1m last year. Based on the likely offer price and pro forma earnings forecast of 19.9p for the current year, the p/e would be 14.1.

Paul Taylor

MAID listing goes ahead

MAID, the UK-based online business information supplier, is going ahead with its Nasdaq listing and placing to raise a net $33.1m despite last minute concerns that its London share price was above the level US institutions were willing to pay.

The company is placing 10.4m shares in the form of 2.6m ADSs at $15.10 per ADS – equivalent to 242.2p a share. The placing will close on November 28 and dealing in the new shares are due to begin on December 1.

In addition the underwriters have the option to subscribe for a further 1.56m shares at the same price for a limited period raising an additional $5.3m net.

Paul Taylor

Portalegre buys APV arm

APV, the food and drink production equipment maker, is continuing its restructuring and disposal programme with the sale of its refrigeration and freezer business to Portalegre, a subsidiary of Hong Leong, the Malaysian financial services and industrial group.

Portalegre will pay £19m ($30m) subject to adjustment depending on how much the book value of net assets differs from £7m. The transaction was debt-free and there is no goodwill to be written back as a result of the deal.

The business made a profit before interest and tax of £1.7m in the 1994 year on sales of £42.5m.

Motoko Rich

Antofagasta buys rest of mine

Antofagasta Holdings, the London-listed Chilean mining, banking and rail group, is paying $36.7m cash for the outstanding 17.5 per cent of the Los Pelambres copper mine from Lucky-Goldstar of South Korea.

The company is considering expanding from the present annual output of 25,000 tonnes to 120,000 tonnes at a cost of about $300m.

Kenneth Gooding

UniChem Portuguese merger

UniChem, the pharmaceutical wholesaler, is to merge its Portuguese wholesaling business, UniChem Farmaceutica, with those of Alliance Santé, a southern European wholesaler. The new business will be known as UniChem-Alliance Santé.

For 1994, UniChem Farmaceutica had sales of £68.9m ($109m), operating profits of £1.3m and net assets of £11.9m.

On a pro forma basis the combined group, to be owned equally by UniChem and Alliance Santé, will have sales of more than £170m, operating profits of £4m and net assets of almost £20m.

Beverley seeks £850,000

Beverley Group, the engineering company, is launching a £850,000 ($1.34m) placing and open offer – its second cash raising this year – to provide working capital for new orders. The company, which in March raised more than £500,000 to stave off liquidation, said it needed fresh finance to complete an order book worth £3m at Beverley Fluid Engineering.

Beverley plans to issue 80m new ordinary shares at 125p. Existing shareholders will be offered the shares on a 2-for-5 basis.

Tim Burt

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Prices for Trading on [illegible] Pool purchase price £/MWh	Final Prices for Trading on [illegible] Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.07	8.97	8.97
0100	12.30	8.98	8.98
0130	12.30	8.98	8.98
0200	12.30	8.98	8.98
0230	12.27	8.97	8.97
0300	8.95	8.93	8.93
0330	8.95	8.93	8.93
0400	8.95	8.93	8.93
0430	8.95	8.92	8.92
0500	9.04	8.92	8.92
0530	8.95	8.96	8.96
0600	9.07	8.92	8.92
0630	9.07	9.02	9.02
0700	20.18	8.93	10.27
0730	31.57	15.60	16.94
0800	37.83	15.60	16.94
0830	38.00	19.41	20.75
0900	38.34	22.86	24.20
0930	48.33	31.62	32.96
1000	48.46	31.62	32.96
1030	48.30	31.62	32.96
1100	48.69	24.54	25.88
1130	38.28	22.86	24.20
1200	38.97	31.30	32.64
1230	39.86	31.30	32.64
1300	39.68	22.86	24.20
1330	37.79	22.86	24.20
1400	32.35	19.41	20.75
1430	32.38	19.41	20.75
1500	32.43	19.41	20.75
1530	36.75	19.41	20.75
1600	44.28	19.42	20.76
1630	90.59	22.64	24.03
1700	173.59	29.71	32.36
1730	207.79	48.90	52.71
1800	173.42	60.60	64.65
1830	90.46	57.65	61.05
1900	60.12	34.43	36.62
1930	44.96	27.37	28.97
2000	38.84	23.54	24.93
2030	38.09	22.52	23.67
2100	32.22	22.52	23.85
2130	31.93	19.21	20.54
2200	31.44	15.60	16.94
2230	20.17	15.58	16.93
2300	19.79	14.86	16.20
2330	8.95	9.04	9.04
2400	9.04	9.02	9.02

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the output of which is subject to revision or correction [illegible] until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8.30am and 5.15pm Monday to Friday.
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Hydraulics lifts Sterling

By Thierry Meyer

Sterling Industries turned in a strong interim performance after better margins and sales growth in its hydraulics division.

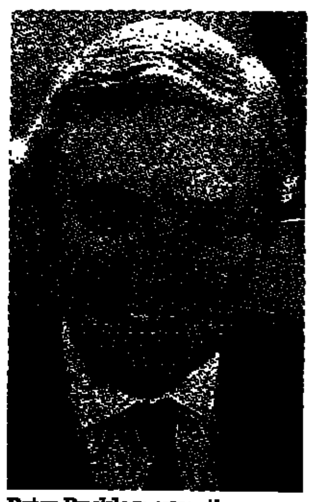
The engineering group, in which the Cayzer family has a controlling interest, increased pre-tax profits by 15 per cent from £3.37m to £3.87m ($6m) on flat sales of £28.1m, compared with £28.2m, for the six months to September 30. This included investment income of £1.3m, *mainly in the form of higher* dividends from the group's 9.7 per cent shareholding in Caledonia Investments. Net cash at the end of the period amounted to £5.3m (£6.99m).

The growth in operating profits to £2.56m (£2.26m), was driven by the hydraulics division. Mr Peter Buckley, chairman, said order books remained strong. *However*, he added, "some softening in the market is expected. But we can still meet the challenge to make further progress on last year's group profit."

The thermal process division, which accounts for two thirds of overall sales, did not benefit from exceptional contracts in east Asia, as it had last year. "Such opportunities are not everyday items," said Mr Buckley.

Both Bloom (in North America and Germany) and Causeway Steel Products showed satisfying results.

Earnings per share rose to 9.56p (8.81p) and the interim dividend goes up to 2.8p (2.5p).



Peter Buckley: expecting some softening in its market

Shares rise above analysts' expectations to value Grid at £3.8bn

Grey trading boost for National Grid

By David Wighton and Kevin Brown

Shares in the National Grid Group, the transmission network *due to be* demerged by the 12 regional electricity companies next month, rose above analysts' expectations yesterday as trading started on the official "grey" market.

The shares touched 240p in early trading after heavy buying by funds which track the market. They closed at 228p, valuing the company at £3.8bn. [illegible] electricity companies are due to receive shares in the Grid next month, with unconditional trading set to start on December 11.

The publication of the Grid prospectus yesterday rekindled the political row over executive pay with Mr Gordon Brown, the shadow chancellor, launching an attack on the demerger. He accused the company of ignoring the recommendations of the Greenbury committee on executive pay by awarding its new managing [illegible] Roger Urwin, a two-year contract.

Mr Brown also accused the government of deliberately delaying the implementation of many of Greenbury's recommendations to prevent disclosure of large remuneration packages.

The Grid said that while the Greenbury report recommended contracts should be no longer than one year it made an exception for the hiring of new executives. It added that by the end of next year all [illegible] Mr Urwin, would be on one-year contracts.

The Grid also announced its interim figures which showed a 7 per cent rise in operating profits on continued activities to £380.7m, in spite of a larger than expected jump in losses from its Energis telecommunications subsidiary to £40.1m, from £19.2m.

Demerger costs were £9.3m. Pre-tax profits, depressed last year by the redemption of bonds, reached £335.5m, against £267.1m, on turnover [illegible]

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COMMODITIES AND AGRICULTURE

Opec agrees to roll over production ceiling again

By Robert Corzine in Vienna

The Organisation of Petroleum Exporting Countries last night agreed to extend its present production ceiling of 24.52m barrels a day until the end of next June.

Opec officials said the latest role-over of the two-year-old ceiling was a "responsible" action that "should stabilise prices". But there were no public comments on whether oil ministers had agreed on any new ways to ensure that member states stayed within their individual national quotas.

Delegates yesterday discussed a proposal to adopt a simpler and more transparent way of calculating each member's production. But the proposal to drop the present system which combines net exports, domestic production and sales from storage overseas, in favour of well-head production was not mentioned in the final communiqué.

Nor were there any other references to chronic cheating on quotas by some Opec states, such as Venezuela, which delegates said was is the biggest violator. Mr Rilwanu Lukman, Opec's secretary general, rejected industry estimates that place Opec's outputs at 1m b/d above the ceiling. He said the true figure was closer to 700,000 b/d.

Analysts were divided as to the possible impacts on prices of Opec's decision not to extend the roll-over for a full year. Mr Mohammed Abdul Jabdar, an economist with the petroleum finance company, said he a six month roll-over "was only a slightly more bearish signal" to the market.

Mr Michael Rothman, senior energy futures analyst with Merrill Lynch in New York, said the impact on prices would be "largely neutral", because the tightness of the oil market could cope with current levels of over production.

But that view was disputed by other analysts, who predicted prices could fall in the second half of next year unless Opec reins in its over-production. Mr Leo Drollas of London's Centre for Global Energy Studies said oil prices, currently around $17 a barrel for the benchmark Brent Blend, could fall to $13-$14 by next summer if Opec failed to bring output into line with the ceiling. Last night, however, spot market prices were up slightly.

Coast of borrowing gold near all-time high

By Kenneth Gooding, Mining Correspondent

Gold lease rates – which indicate the cost of borrowing gold – are near record levels, driven up by a big increase in demand from South African producers at a time when supplies from central banks, the main lenders of the precious metal, are tight.

Three-month lease rates reached an all-time peak of 8½ per cent last week compared with the usual 1 per cent. Rates drifted down to about 3 per cent yesterday and are expected to fall even further in the new year. Analysts and dealers suggest, however, they are likely to remain above the traditional level.

But there is a split of opinion about what the jump in lease rates means for the gold price. Some suggest it puts upward pressure on the price. Others say that, while it gives the price some support, there is no upward pressure.

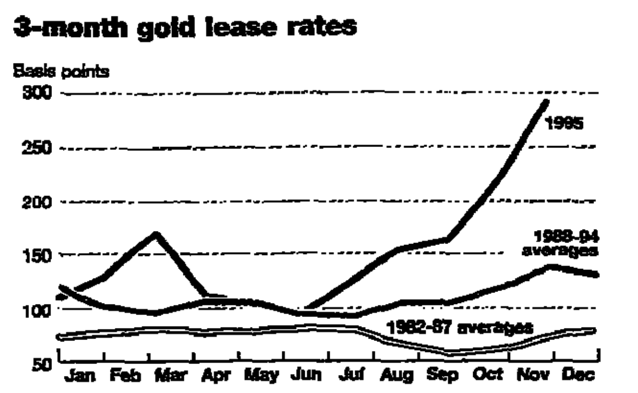
Mr Jeffrey Rhodes, manager, bullion marketing at Standard Bank, said: "High lease rates are bullish for the gold price because it costs more to maintain a short position and makes it more attractive to buy forward". But Mr Andy Smith, analyst at Union Bank of Switzerland, argued that "US funds might not want to short gold, but why should they go long [buy]? Easier lease rates could wet their appetites".

Mr Rhodes said that lease rates had been driven higher when a recent blip upwards in the gold price had encouraged producer forward selling and at a time when central banks were reluctant to lend because they were closing their books for the year-end.

Mr Smith suggested that South African mining companies, which traditionally had not done much gold hedging, had changed direction and "switched from being teetotallers to heavy drinkers in six months". He warned that "if South Africa moves to a hedge cover worth 50 per cent of annual production (about that with which North American and Australian miners feel comfortable) that's another 300 tonnes of borrowing." Part of this would be via options and not involve ounce for ounce borrowing but it was still a very big quantity for the market to absorb.

In a presentation to the City of London Banking conference this week, Mr Terry Smeeton, head of the Bank of England's foreign exchange division, said that, even though many more central banks were now earning "a modest return" on their gold by providing more of it to the market: "I suspect that a higher level of [lease] rates may persist for some time and we may come to regard them as relatively normal. Thus, the inducement for central banks to participate in the gold market should remain strong but there is some concern about how much additional material is available to come into the market".

3-month gold lease rates



Source: UBS

UK wants milk price support cuts

By Deborah Hargreaves

The British government would like to see cuts in price support for milk throughout the European Union prior to the removal of production quotas in 2000, Mr Geoffrey Hollis, head of livestock at the ministry of agriculture told a committee of MPs yesterday.

He said did not think it was realistic to expect the removal of quotas before 2000. "But the price should be gradually reduced and then the discussion of quotas would be much less relevant."

For many dairy farmers, production quotas are the most valuable asset they own. Milk producers are among the most profitable farmers in the UK with incomes of over £34,000 on average, Mr Hollis said.

The select committee of MPs is investigating last year's deregulation of the UK dairy industry. Mr Hollis said that cheese prices had risen as a result of milk prices going up when the market was liberalised, but liquid milk prices to consumers had been kept down by competition between the supermarkets.

US exchanges plan liquid futures

By Laurie Morse in Chicago

Despite the contracts' sour prospects, two US exchanges intend to begin trading liquid milk futures within the next month.

Although futures contracts on cheese and dried milk have been attempted, liquid milk is right on the edge of the frontier for agricultural derivatives. Not only is it not storable, but it is marketed regionally, diminishing the effect of national pricing offered by a futures market. In addition, dairy products in the US are subject to strict and complicated government price supports that limit price volatility and make free-market trading difficult.

US dairy subsidies are at present being reconsidered by Congress, but market-oriented reforms are not expected to become law.

None the less, New York's Coffee, Sugar and Cocoa Exchange plans to launch liquid milk futures on 12 December, and options on 13 December. The exchange has moved the launch dates forward from the previouslt scheduled January 23, presumably because the Chicago Mercantile Exchange will open a competing contract in Chicago on January 11.

Both the New York and Chicago contracts will be based on delivery of 50,000 pounds (one tanker truck) of Grade A fluid milk to certified plants in the Wisconsin/Minnesota area.

Such head-to-head competition in a new contract is unusual for US futures exchanges. However, the CSCE has been trying to build a dairy franchise, launching non-fat dried milk and cheddar cheese contracts last year.

MARKET REPORT

Silver price support broken

The SILVER price crashed through strong support on long liquidation at the London Bullion Market yesterday after the New York registered further losses at the opening.

"Everyone came in very bullish yesterday [Tuesday], but the close was very disappointing," one trader said. Stops were hit once operators began rushing to close out long positions ahead of holidays today in the US and Japan, he added.

During the past few weeks silver had only briefly dipped below strong support at $5.30 a troy ounce, bottoming out at $5.25 to $5.28. But soon after Comex opened the price was in free-fall, hitting a low bid of $5.15. It closed at $5.20½ an ounce, down 14¼ cents.

At the London Metal Exchange COPPER prices fell back in the afternoon as the likelihood of overhead resistance above $2,770 a tonne, for three months delivery, and freer offers of cash metal inhibited the market. The three months price still ended marginally higher on the day.

Compiled from Reuters

Termites locate Niger's buried riches

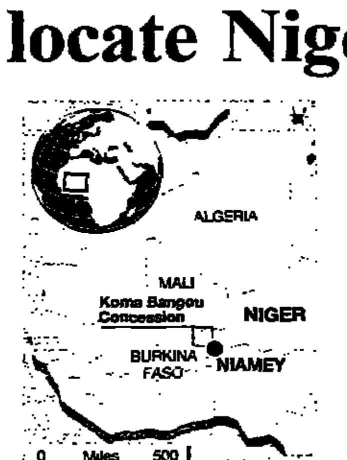
By Kenneth Gooding

Termites provided vital clues for the discovery of a potentially substantial gold deposit in the west African republic of Niger.

The insects burrow underground, often to considerable depths, in search of water and carry back to the surface traces of gold or other mineralisation. Exploration geologists say that sampling of termite mounds or nests can therefore provide a very good idea of what is below the surface.

Termites were "fantastically helpful" to geologists working in Niger for the UN Development Programme and the Canadian International Development Agency by establishing there was gold in an area with no history of gold mining, according to Mr Don Burton, exploration manager for Etruscan Enterprises.

Starting with this work by the international aid agencies, Etruscan, a Canadian company, has done enough further exploration to suggest that there may be a big gold deposit at Koma Bangou (which translates as "Termites' water"), 150km north-west of Niamey, the capital.



The potential of the deposit has attracted the attention of a major gold company, Echo Bay, which has an option to earn 44 per cent of the project if a feasibility study to be completed by September next year comes to a positive conclusion.

Mr Burton said this week, at a presentation in London organised by Echo Bay to introduce some of its potential partners, that, unfortunately, the termites did not provide a perfect indication of where gold is situated. There was no way of knowing how deep they had burrowed – in some parts of the Koma Bangou deposit the water table was 80m below the surface – and often the insects went off at tangents rather than digging straight down and up again.

Nevertheless, the evidence the insects had provided encouraged Etruscan to spend more than C$5m so far on further exploration since it acquired the property in a joint venture with Onarem (L'Office National des Resources Minieres) the state-owned mining company, in September last year.

In January Etruscan signed a "convention" that made it the first mining company to hold a permit – valid for 29 years and then renewable – from the government to explore and produce gold in Niger.

This move did not go unnoticed and several other foreign companies subsequently applied for permission to search for gold there, encouraged by a new government that recognises the potential earnings a big increase in gold production would bring. Among the companies now represented in Niger are Barrick Gold, the biggest gold producer outside South Africa, Ashanti, from nearby Ghana, Sumitomo of Japan and Australia's Gold Shamrock Mines.

If Etruscan's feasibility study proves the gold at Koma Bangou can be mined profitably, a new company called Nigerien Mining Company will be set up in which Echo Bay will own 44 per cent; Etruscan and Onarem will have 23 per cent each, and the Niger government will have 10 per cent.

Mr Gerald McConnell, Etruscan's president, said he expected the Koma Bangou deposit would prove to have between 1m and 2m troy ounces of gold. If Echo Bay took the biggest share there would be other opportunities for Etruscan. He said: "We know more about the geology of Niger than anyone else".

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1657-58	1692-93
Previous	1644-45	1680-81
High/low		1700/1683
AM Official	1648.5-49.0	1683-83.5
Kerb close		1697-98
Open int.	220,930	
Total daily turnover	42,538	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1390-400	1432-35
Previous	1385-95	1425-30
High/low		1445/1430
AM Official	1390-95	1430-32
Kerb close		1430-35
Open int	3,807	
Total daily turnover	1,432	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	744.5-6.5	726-7
Previous	732-33	717-18
High/low	738.5/738	726/718
AM Official	738-39	721-22
Kerb close		721-22
Open int.	31,945	
Total daily turnover	3,998	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8640-50	8660-70
Previous	8470-80	8590-95
High/low	8530/8510	8700/8600
AM Official	8525-30	8625-30
Kerb close		8675-80
Open int	43,151	
Total daily turnover	5,064	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6430-35	6450-55
Previous	6430-35	6450-55
High/low	6440	6475/6450
AM Official	6435-40	6461-62
Kerb close		6450-70
Open int.	16,656	
Total daily turnover	4,722	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1033.5-4.5	1057-58
Previous	1035.5-6.5	1060-60.5
High/low	1035.5	1063/1052
AM Official	1035-35.5	1059-59.5
Kerb close		1052-53
Open int	82,846	
Total daily turnover	7,126	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2985-88	2756-58
Previous	2981-86	2758-9
High/low	3001/2990	2770/2752
AM Official	3000-2	2760-61
Kerb close		2756-57
Open int	173,608	
Total daily turnover	42,913	

■ LME AM Official £/$ rate: 1.5527
LME Closing £/$ rate: 1.5615

Spot 1.5646 3 mths 1.5616 6 mths 1.5575 9 mths 1.5539

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	138.40	-0.90	139.80	138.00	215	880
Dec	131.45	-0.30	133.20	130.90	5,078	16,320
Jan	128.80	+0.05	129.70	128.75	233	1,462
Feb	126.80	+0.05	127.70	126.90	100	818
Mar	124.80	-0.30	125.95	124.20	2,225	11,784
Apr	123.35	-0.30	-	-	100	303
Total					8,096	39,945

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equiv	SFr equiv
Close	384.80-385.10		
Opening	385.20-385.50		
Morning fix	385.30	247.336	437.431
Afternoon fix	384.35	246.505	437.390
Day's High	385.50-385.80		
Day's Low	384.20-384.50		
Previous close	386.30-386.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.50	6 months	3.17
2 months	2.58	12 months	3.35
3 months	2.70		

Silver Fix	p/troy oz.	US cts equiv.
Spot	340.10	530.25
3 months	344.75	536.40
6 months	349.20	542.20
1 year	358.50	554.30

Gold Coins	$ price	£ equiv.
Krugerrand	385-386	247-248
Maple Leaf	395.45-397.90	[illegible]
New Sovereign	[illegible]	[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	381.8	-3.2	384.0	384.0	12	11
Dec	382.1	-3.3	386.0	381.5	31,615	46,608
Feb	383.5	-3.4	387.6	382.5	12,386	37,216
Apr	385.7	-3.4	388.2	385.0	1,897	8,986
Jun	388.1	-3.4	391.8	388.0	913	18,711
Aug	390.4	-3.4	-	-	503	-
Total					47,210	165,578

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	412.8	-2.4	415.8	412.5	1,545	16,378
Apr	412.9	-2.5	416.0	412.5	359	2,843
Jul	413.8	-2.3	416.5	416.5	3	1,663
Oct	414.7	-2.1	417.0	417.0	2	616
Jan	415.7	-2.1	-	-	1	5
Total					1,989	21,505

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	134.25	-0.65	135.00	133.50	316	2,815
Mar	134.85	-0.65	135.50	134.50	556	3,661
Jun	135.65	-0.65	-	-	87	193
Total					872	6,692

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	515.4	-11.8	515.0	515.0	8	-
Dec	515.5	-12.0	529.0	512.5	15,840	41,833
Jan	517.1	-12.0	531.0	521.0	1	-
Mar	523.0	-12.1	536.5	520.0	5,521	31,052
May	527.2	-12.1	545.0	525.0	69	8,810
Jul	531.4	-12.1	542.0	528.0	53	6,250
Total					21,786	103,682

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	17.97	-	18.09	17.80	28,926	108,785
Feb	17.77	+0.02	17.85	17.59	11,523	41,779
Mar	17.60	-	17.70	17.45	4,981	28,839
Apr	17.53	+0.06	17.54	17.33	1,732	12,981
May	17.40	+0.04	17.40	17.22	325	8,558
Jun	17.30	+0.02	17.34	17.16	1,178	18,118
Total					51,030	325,378

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	16.83	+0.08	16.88	16.61	20,168	80,945
Feb	16.58	+0.06	16.61	16.40	5,703	21,382
Mar	16.40	+0.07	16.40	16.23	1,624	15,228
Apr	16.23	+0.05	16.23	16.10	575	8,423
May	16.01	-0.05	16.01	16.01	9	2,594
Jun	15.99	+0.02	15.99	15.92	359	8,161
Total					27,485	143,118

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	52.35	+0.07	52.55	51.75	14,739	26,473
Jan	52.80	+0.14	52.75	51.95	11,926	46,288
Feb	52.10	+0.15	52.25	51.80	3,740	25,932
Mar	50.75	+0.20	50.80	50.30	1,294	10,845
Apr	48.90	+0.10	48.90	48.70	298	4,955
May	47.62	-	-	-	310	4,243
Total					33,059	140,286

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	158.50	-0.75	157.00	155.25	7,042	25,826
Jan	156.00	-0.50	156.25	154.75	5,059	25,582
Feb	155.00	+0.25	155.25	154.00	814	7,453
Mar	153.25	-	153.50	152.25	500	5,338
Apr	151.50	-0.25	151.25	151.00	295	2,099
May	150.00	-0.50	149.75	149.50	56	1,128
Total					14,190	77,288

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	2.118	+0.060	2.125	2.088	19,311	41,389
Feb	1.958	+0.035	1.980	1.931	3,905	18,765
Mar	1.830	+0.022	1.834	1.810	2,394	13,500
Apr	1.720	+0.012	1.720	1.710	1,184	9,771
May	1.720	+0.008	1.720	1.715	552	7,883
Jun	1.725	+0.007	1.730	1.720	398	5,898
Total					93,107	141,977

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	54.00	+0.88	54.25	52.85	11,722	15,542
Jan	52.20	+0.61	52.40	51.40	7,169	20,854
Feb	52.05	+0.55	52.15	51.40	4,087	12,812
Mar	51.96	+0.38	51.95	51.50	1,271	5,427
Apr	54.50	+0.53	54.50	54.25	153	4,379
May	54.45	+0.53	54.45	54.20	1,064	3,178
Total					25,851	65,468

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	127.75	+0.25	127.75	127.50	18	49
Jan	128.60	-	129.00	128.75	43	2,205
Mar	130.55	-0.05	131.00	130.65	59	2,469
May	132.60	-0.05	133.15	132.60	190	2,964
Jul	134.60	+0.05	135.05	134.70	26	225
Sep	115.75	+0.35	-	-	-	50
Total					346	8,582

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	498.25	+3.25	498.50	494.00	7,477	21,636
Mar	494.75	+4.25	495.25	491.00	11,656	48,999
May	456.25	+2.75	457.00	451.50	681	4,803
Jul	411.00	+2.5	411.50	408.00	2,555	19,592
Sep	413.00	+1.5	413.50	411.00	101	2,988
Dec	421.75	+1.75	422.00	419.50	53	978
Total					22,523	99,039

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	325.25	+1.75	325.50	323.25	20,575	88,071
Mar	332.00	+1.75	332.25	329.50	33,442	256,410
May	333.00	+1.25	333.75	331.25	8,036	45,164
Jul	329.50	+1.5	330.25	327.25	4,344	55,248
Sep	293.75	+1.5	294.00	291.75	552	9,923
Dec	279.00	-0.25	279.50	278.00	2,369	26,939
Total					69,429	483,858

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	118.00	+0.50	117.70	117.70	7	35
Jan	119.60	-0.10	119.70	119.50	33	901
Mar	121.60	+0.10	121.70	121.55	19	757
May	123.35	-0.35	-	-	-	237
Sep	112.25	-	-	-	-	6
Nov	113.00	-	-	-	-	5
Total					59	1,941

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	683.00	+4.75	684.00	678.00	23,229	80,795
Mar	690.75	+4.5	692.00	686.00	5,303	41,579
May	694.75	+4	695.50	690.00	1,269	12,684
Jul	696.50	+3.75	697.25	692.00	2,415	18,651
Aug	693.25	+5.25	693.50	690.00	95	1,162
Sep	676.75	+3.25	677.50	674.00	18	1,443
Total					33,586	170,434

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	25.24	+0.1	25.27	25.14	8,620	17,851
Jan	25.43	+0.1	25.46	25.33	8,190	30,688
Mar	25.75	+0.09	25.77	25.66	3,894	19,084
May	26.04	+0.08	26.05	25.96	2,237	8,933
Jul	26.20	+0.05	26.22	26.14	1,314	8,225
Aug	26.26	+0.02	26.30	-	100	1,674
Total					22,676	89,374

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	209.4	+1.2	209.8	207.6	7,284	24,511
Jan	211.3	+1.4	211.6	209.3	6,244	29,440
Mar	213.4	+1.2	213.8	211.9	2,867	26,749
May	212.8	+0.9	213.3	211.7	637	7,755
Jul	213.4	+0.6	213.5	212.2	720	9,234
Aug	212.0	+0.7	212.0	211.0	108	1,079
Total					18,283	101,292

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	270.0	-	-	-	-	-
Apr	258.5	+11.0	258.1	249.5	97	1,171
May	305.0	-	-	-	-	6
Jun	325.0	-	-	-	-	-
Total					97	1,179

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1705	-30	1730	1730	7	829
Dec	1598	+15	1600	1561	22	230
Jan	1520	-	1540	1520	42	1,166
Apr	1505	+5	1520	1505	60	1,238
Jul	1350	+7	1350	1345	23	485
Oct	1435	-	-	-	-	84
Total					154	3,844

	Close	Prev
BFI	1728	1740

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
Prices from Kenkko Group; US$ a tonne. Indian Pistachios 28/30 raw (in shell) naturally opened (round); 1994 crop sold out; new crop 3,500 CFR/FOT MEP, 26/28 3,600 CFR/FOT MEP (both available December), stable. US almonds (shelled) 23/25 NPSSR 1995 crop at 6,350 FAS, stable. Prices may decline with selling pressure for December-February positions. US walnuts (shelled) light halves and pieces, 1995 crop at 8,060 FOB; rising, with less light colour available and 30%-40% empty sell count for Chinese origin. Indian cashews, raw, W320, at 8,280 FOT Rotterdam, spot availability very difficult. Turkish hazelnut kernels, 13/15 standard 1s, 1995 crop at 3,100 CFR MEP, falling. North Dakota sunflower seeds, 1995 crop; 22/64 at 885 CIF MEP, 20/64 at 835; very difficult.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	921	+7	920	912	1,483	9,977
Mar	962	+8	963	950	2,753	35,565
May	980	+7	979	968	1,559	14,989
Jul	999	+8	994	987	256	5,857
Sep	1017	+7	1020	1007	827	26,584
Dec	1029	+8	1029	1020	400	6,391
Total					8,422	117,821

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1352	+1	1356	1345	142	1,795
Mar	1373	+14	1380	1354	8,168	41,970
May	1392	+14	1395	1373	444	10,615
Jul	1411	+14	1410	1395	369	3,645
Sep	1434	+14	1421	1418	110	9,422
Dec	1459	+14	-	-	5	7,125
Total					9,584	76,202

■ COCOA (ICCO) (SDR's/tonne)

Nov 21	Price	Prev. day
Daily	984.70	977.33

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	2425	-18	2444	2422	360	1,164
Jan	2171	-47	2207	2170	2,611	14,787
Mar	2074	-59	2120	2073	1,232	8,066
May	2006	-51	2042	2005	101	4,095
Jul	1948	-52	1980	1952	56	1,198
Sep	1898	-59	1930	1925	24	384
Total					4,213	29,737

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	114.15	-2.35	116.90	111.75	859	2,004
Mar	111.05	-2.80	113.70	108.25	5,192	15,416
May	108.45	-3.35	111.60	106.50	556	2,982
Jul	108.25	-2.65	110.00	106.00	103	777
Sep	107.00	-2.75	109.75	107.00	31	343
Dec	106.00	-3.00	108.75	106.50	101	275
Total					6,844	21,980

■ COFFEE (ICO) (US cents/pound)

Nov 21	Price	Prev. day
Comp. daily	114.18	115.65
15 day average	120.31	120.65

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	13.25	-	-	-	-	-
Mar	10.90	-	-	-	-	-
May	10.79	-	-	-	-	-
Jul	10.79	-0.06	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	352.5	-0.4	354.5	352.0	671	14,679
May	342.5	-1.0	344.8	342.4	282	5,778
Aug	333.3	-0.5	335.8	333.2	482	3,754
Oct	303.0	-0.8	305.7	303.0	311	2,947
Dec	294.7	+0.4	297.0	295.0	76	1,533
Mar	293.4	+0.4	-	-	-	279
Total					1,808	29,025

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.86	+0.07	10.96	10.75	8,051	79,529
May	10.67	+0.08	10.76	10.57	2,045	21,501
Jul	10.22	+0.06	10.30	10.16	1,415	14,365
Oct	10.12	+0.07	10.20	10.05	1,469	16,764
Mar	10.02	+0.07	10.08	9.95	608	9,995
May	9.92	+0.06	9.86	9.86	25	1,173
Total					13,613	143,685

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	88.84	+0.41	87.30	86.35	4,827	4,701
Mar	86.88	+0.58	87.30	86.10	8,355	23,584
May	86.80	+0.55	87.00	86.00	1,053	8,697
Jul	86.43	+0.53	86.60	85.90	489	6,641
Oct	80.30	+0.10	80.40	80.10	65	1,464
Dec	77.40	+0.10	77.50	77.15	155	7,604
Total					15,044	53,781

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	123.85	-0.30	124.00	123.30	561	18,043
Mar	126.70	-0.45	126.60	126.25	370	5,620
May	129.00	-0.40	129.00	128.70	166	1,577
Jul	131.10	-0.50	-	-	-	-
Sep	133.20	-0.70	-	-	-	678
Nov	132.45	-0.90	-	-	5	214
Total					1,252	27,112

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Nov 21	Nov 20	month ago	year ago
2182.7	2184.2	2121.6	2128.8

■ CRB Futures (Base: 1967=100)

Nov 21	Nov 20	month ago	year ago
241.54	243.12	-	-

■ GSCI Spot (Base: 1970=100)

Nov 21	Nov 20	month ago	year ago
187.28	187.94	180.65	175.71

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	67.375	-0.200	67.800	67.350	12,796	22,104
Feb	67.425	-0.175	67.700	67.400	6,798	24,764
Apr	67.200	-0.150	67.400	67.150	2,795	14,154
Jun	63.400	-0.075	63.550	63.375	804	6,059
Aug	61.550	-0.125	61.675	61.525	510	2,545
Oct	62.525	-0.050	62.575	62.500	159	2,352
Total					23,928	72,528

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	44.025	-	44.450	44.025	2,932	7,647
Feb	46.975	+0.025	47.250	46.850	2,719	11,311
Apr	47.550	-	47.650	47.400	1,164	4,997
Jun	52.825	-0.075	52.950	52.650	425	4,034
Jul	52.700	-0.100	52.850	52.550	164	2,255
Aug	51.675	-0.125	51.850	51.650	152	1,173
Total					7,888	32,158

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	53.725	-0.800	54.550	53.650	3,186	5,325
Mar	54.025	-0.875	54.850	54.000	279	793
May	55.200	-0.850	55.850	55.125	100	399
Jul	55.750	-1.050	56.800	56.025	50	474
Aug	54.125	-0.675	54.950	54.125	28	148
Total					3,643	7,139

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Dec	Feb	Dec	Feb
1600	74	123	1	27
1700	9	64	36	67
1800	-	29	127	130
■ COPPER (Grade A) LME	Dec	Feb	Dec	Feb
2800	95	75	13	112
2900	34	41	53	177
3000	8	-	126	-
■ COFFEE LCE	Jan	Mar	Jan	Mar
1900	277	241	6	67
1950	232	209	11	85
2000	190	180	19	106
■ COCOA LCE	Mar	May	Mar	May
875	96	119	9	14
900	77	100	15	20
925	60	83	23	28
■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
1550	136	121	2	10
1600	88	79	7	20
1650	51	49	19	39

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan)

		+or-
Dubai	$15.54-5.62w	
Brent Blend (dated)	$16.89-6.93	+0.270
Brent Blend (Jan)	$16.81-6.83	+0.115
W.T.I. (1pm est)	$18.05-8.06w	+0.125

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$186-188	-1
Gas Oil	$159-161	-1.5
Heavy Fuel Oil	$87-88	-1
Naphtha	$150-151	
Jet fuel	$180-181	-0.5
Diesel	$163-164	-1

Petroleum Argus. Tel. London (0171) 359 8792

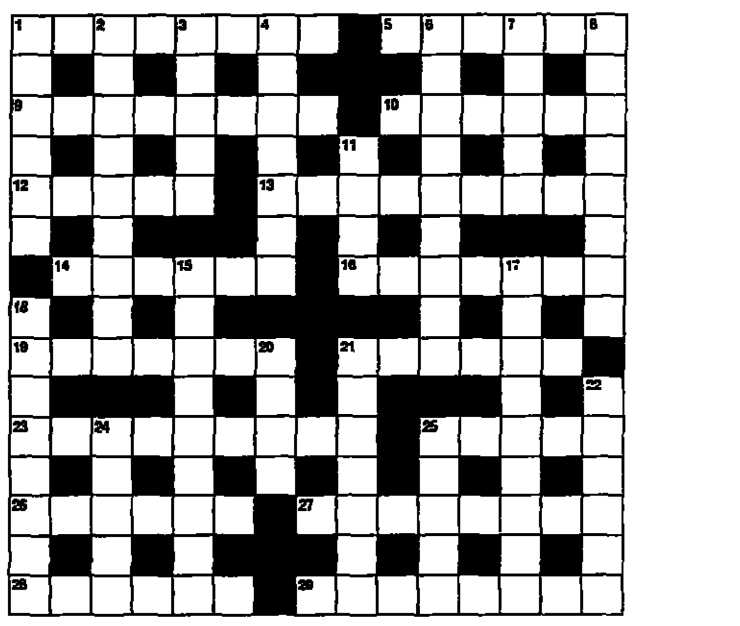
■ OTHER

Gold (per troy oz)♣	$384.95	-1.55
Silver (per troy oz)♣	520.5c	-14.5
Platinum (per troy oz.)	$413.25	-1.75
Palladium (per troy oz.)	$132.75	-1.55
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	16.05m	+0.13
Tin (New York)	304.5c	-1.0
Cattle (live weight)†	123.90p	+0.21*
Sheep (live weight)†♠	108.14p	-0.53*
Pigs (live weight)†	102.50p	+2.35*
Lon. day sugar (raw)	$303.10	-1.30
Lon. day sugar (wte)	$383.80	+1.80
Barley (Eng. feed)	£126.0	
Maize (US No3 Yellow)	£105.5w	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	111.00p	+0.50
Rubber (Jan)♥	111.00p	+0.50
Rubber (KL RSS No1)	425.0m	+3.5
Coconut Oil (Phil)§	$750.0y	-5.0
Palm Oil (Malay.)§	$597.5y	
Copra (Phil)§	488.0y	-4.0
Soyabeans (US)	194.0u	
Cotton Outlook'A' Index	89.00c	+0.10
Wooltops (64s Super)	452p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. u Nov/Jan. ♥ w Jan. y Nov/Dec. v Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices) * Change on week † Prices are for previous day.

CROSSWORD

No.8,926 Set by HIGHLANDER



ACROSS

1 Blues needs original old instruments (8)
5 Make a boob taking feminine underwear out of bed (4,2)
9 Give permission to enter carefree part of Scotland (8)
10 Horrified Turkish leader is on the way (6)
12 Country to lose Queen? Absolutely not (2,3)
13 Can the old become involved in multiple athletic contest? (9)
14 Piglets in bed? Rubbish! (6)
16 Resigned to featuring in laics' reorganisation (7)
19 Release one with a plant (7)
21 Rattle postponed (3,3)
23 Hilary's last day perhaps disturbed Fred, not me (3,2,4)
25 Part that turns rubbish to gold (5)
26 Combination of gold and flame colour (6)
27 Wintry weather before the fall a sign of spring to gardener? (8)
28 Agitated state – prepared for a close shave? (6)
29 Jump on a line that marks the frontier (8)

DOWN

1 Venetian magistrate put no date on stub (3-3)
2 Innocent girl needs chess player with initiative (4-5)
3 Large friend of Pooh with surprised expression (5)
4 Wind near Med resort (7)
6 Does a bunk when it's time to retire (6,3)
7 Name of girl soft on peer (5)
8 Clearly an inventor's protection starts to lessen yours (8)
11 Good man about to go over the deeds (4)
15 A job for the church's special-purpose unit (4,5)
17 C & A garden party song about restaurant (9)
18 In spite of everything, fall rate is bad (5,3)
20 Champions good service on Sunday (4)
21 Sanctimonious people take to something spicy (7)
22 Settle in advance on homework in some parts, yes (6)
24 Coming out with daughter on elevated railway system (5)
25 Quarrel is over one tree (5)

Solution 8,925

F	I	S	C	A	L		C	A	R	P	E	T	E	D
L		U		L		S		S		A		R		E
A	P	P	E	T	I	T	E	S		L	E	E	D	S
M		P		O		R		A		L		A		E
E	T	O	N		B	A	B	Y	S	I	T	T	E	R
N		S		U		I		E		A				T
C	H	I	G	N	O	N		D	E	T	E	S	T	
O		N		D						I		P		E
	A	G	R	E	E	D		S	A	V	E	L	O	Y
H				R		R		U		E		E		E
A	C	C	E	P	T	A	B	L	E		K	N	I	T
M		A		L		C		T		I		D		E
P	A	S	T	A		H	E	A	D	S	T	O	N	E
E		T		Y		M		N		L		U		T
R	H	E	O	S	T	A	T		D	E	A	R	T	H

JOTTER PAD

INTERNATIONAL CAPITAL MARKETS

Hopes of interest rate cuts buoy European sector

By Richard Lapper in London and Lisa Bransten in New York

More evidence that the German economy is slowing and hopes of interest rate cuts in a number of countries, gave a fillip to bond markets across Europe yesterday. But trading in many markets was thin ahead of today's Thanksgiving Day holiday in the US.

■ German bunds moved higher helped by a firmer D-Mark, supportive wholesale price and money supply data and another cut in the securities repurchase rate by the Bundesbank. West German wholesale prices fell by 0.2 per cent in October, with the year on year inflation rate dropping to 1.6 per cent from 2 per cent in September, and pan-German producer price index figures also eased.

The Bundesbank cut repo rates by 1 basis point to 3.97 per cent, disappointing some analysts but confirming expectations of a cut in the 3.5 per cent discount rate.

Mr Stuart Thomson, chief international economist at Nikko Europe, says a cut of 50 basis points is on the cards in the first quarter of 1996 with a further 50 basis point reduction in the second quarter.

Yesterday's economic news helped some steepening in the yield curve between the five and ten-year area, with yields on benchmark five-year paper falling by 9 basis points, compared with a six basis point fall for the 10-year benchmark.

By the close of the European session the 10-year futures contract was trading at 97.72, 0.34 up on the day. In the cash market the 10-year yield spread of bunds over US Treasuries narrowed 6 basis points to 25.

■ Despite the absence of domestic economic news, gilts also benefited, with the long gilt closing up nearly half a point at 108$\frac{27}{32}$. Mr Nigel Richardson, international bond strategist at Yamaichi, said investors were "becoming increasingly optimistic that [next week's] budget could be favourable for gilts".

■ French bond prices also rose on hopes of an interest rate cut despite fears in some quarters that the vulnerability of the franc to dollar weakness may inhibit the Bank of France's ability to reduce its five to ten-day lending rate at its meeting today. Even so, many expect a 25 basis point cut in the rate, now at at 6.10 per cent.

GOVERNMENT BONDS

The need for lower rates was demonstrated by lower-than-expected industrial output figures released on Tuesday which do not augur well for third-quarter gross domestic product figures due out next week.

Yesterday the markets were unaffected by a slightly weaker franc. At Matif the 10-year bond future gained 0.28, settling at 119.10, while December Pibor advanced by 0.02 to 94.45. But in the cash market French bonds underperformed Germany, with the yield spread of OATs over bunds widening by 2 basis points to 68.

■ Scandinavian markets continued their recent strong run with the 10-year yield spreads of Swedish, Danish and Finnish bonds against Germany all narrowing. The strength of the krona was again the dominant factor in the Swedish market, where yields on the 10-year benchmark fell by 8 basis points and the yield spread over Germany narrowed in by 3 basis points to 254.

■ Spain also performed strongly, with prospects of a cut in interest rates – probably in December – buoying sentiment. "Speculation on Spanish interest cuts reached "fever pitch", said Mr David Brown, chief European economist at Bear Stearns, with "expectations running high for a cut in the 9.25 per cent securities repurchase rate at [today's] operation". The 10-year future gained more than half a point and the yield spread of Spanish bonds over German bunds narrowed by 7 basis points to 410.

■ Pre-holiday profit-taking and mixed economic data sent US Treasury prices lower in late morning trading yesterday.

Near midday, the benchmark 30-year Treasury was off $\frac{5}{32}$ at 107$\frac{28}{32}$ to yield 6.288 per cent. At the short end of the maturity spectrum, the two-year note was off $\frac{1}{32}$ at 100$\frac{1}{8}$, to yield 5.502 per cent.

The market was slated to close at 2pm in advance of today's Thanksgiving holiday. It will be closed today and will close at 2pm on Friday.

Treasury prices came into the session lower and showed little reaction to a narrowing trade deficit or higher-than-expected unemployment figures.

The trade deficit narrowed to $8.35bn in September against expectations that it would have widened to $9.9bn. That worried traders as it implies economic growth may be stronger than they had estimated.

Data showing that unemployment rose over the last two week helped offset any negative reaction to the trade figures.

Also weighing on the market was the Treasury's announcement it would raise the size of next week's two-and five-year note auctions. It plans to sell $18.25bn in two-year notes and $12bn in five-year notes next year compared with last month's sales of $17.75bn and $11.5bn respectively.

UK judge upholds Barings flip clause

By Antonia Sharpe

A group of investors who bought bonds issued by Barings, the UK merchant bank which collapsed in February as a result of huge derivatives trading losses, yesterday moved a step closer to getting repaid following a High Court judgment in its favour.

The ruling means that the holders of a $150m floating-rate note issued in 1994 by Barings BV, the failed bank's Dutch financing arm, can now resume their petition to liquidate the company, a precursor to getting their money back.

The legal action which was ruled on yesterday had been brought by another group of investors, who held $150m worth of capital notes issued by Barings BV in 1986, in respect of the validity of a so-called "flip" clause on their investment.

The flip clause switches liabilities for payment of creditors to Barings plc if Barings BV goes into liquidation.

However, the 1986 bondholders want to remain creditors of Barings BV because it is more likely to repay its liabilities than its UK parent, which is in administration.

Although Barings BV was not rescued by ING, the Dutch bank has indicated that in 1999 it will repay a $150m loan which Barings BV made to Baring Securities International and between 5 per cent and 20 per cent of a $93.7m loan made to Baring Brothers.

Barings BV also has claims against other Barings companies.

In his judgment, Mr Justice Robert Walker said the case brought by the 1986 bondholders "fails in every part" and he upheld the flip clause which he deemed to be effective. Lawyers for the 1986 bondholders are now considering whether to appeal.

A spokesman for the 1994 bondholders said they could now ask Mr Rutger Schimmelpenninck, who was appointed in May by the Dutch courts to take control of Barings BV, to proceed with the liquidation of the company because it was clearly insolvent. Now that the flip clause has been upheld by the UK courts, they become the most significant creditors of Barings BV.

BAT finance unit's £250m offering sold out on launch day

By Conner Middelmann

BAT International Finance, the funding arm of the UK tobacco and financial services group, provided the highlight in the primary eurobond market yesterday with a £250m issue of 10-year bonds.

The deal was so popular that the bonds sold out on the day of launch, said joint leads BZW and Union Bank of Switzerland.

Yielding 67 basis points over gilts at the re-offer price, "the deal was priced to go in the first one of two days", said one of the lead managers. With the UK budget on November 28 and year-end approaching, the borrower had wanted to ensure the offering was a success, he said. The yield spread had narrowed to 65 basis points at the close.

The D-Mark sector saw another Latin American issue, DM250m of 10.5 per cent seven-year bonds for the Republic of Argentina which will be fungible with DM500m of bonds issued in mid-October.

"The first tranche has sold out and we've still had a lot of demand for it," said a syndicate official at lead manager CS FB Effectenbank.

INTERNATIONAL BONDS

The paper, which yields 465 basis points over the corresponding government notes, went largely into Swiss and German retail accounts, he said.

A DM500m five-year bond for Argentaria, the Spanish bank, yielding 52 basis points over Bobls at the re-offer price, was widely deemed to be too aggressively priced.

"A 10-basis-point pick-up over top-rated domestic bonds for an AA-/Aa3-rated Spanish bank is not enough to entice German investors," said one dealer.

Another suggested the bank would have been better off issuing floating-rate notes, as it had been rumoured to be planning.

However, WestLB, joint lead with Paribas, said it felt the issue was fairly priced and likely to be placed among institutional investors and within the German savings banks network.

Elsewhere, Helaba Finance issued $200m of four-year bonds targeted at Swiss and German retail accounts keen on shorter-dated dollar paper, said lead manager IBJ International.

● Standard & Poor's, the international credit rating agency, has placed its B+ rating of the Republic of Venezuela's eurobonds on CreditWatch with negative implications. Some $1.8bn of debt is affected. Separately, the agency affirmed Uruguay's BB+ foreign-currency rating.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Gleneagles Funding(a)‡	450	(a1)	100.00	Dec.2002	0.375	-	Nomura International
Helaba Finance(l)	200	5.75	99.801R	Dec.1999	0.225R	+9(l)	IBJ International
Mitsubishi Finance Intl.(b)‡	58	(b1)	100.30	Nov.2005	0.30	-	Mitsubishi Finance Intl.
D-MARKS							
Argentina Global Finance	500	5.50	99.413R	Dec.2000	0.275R	+52(5⅝%-00)	Paribas(Deutsch)/ WestLB
Republic of Argentina(c)	250	10.50	99.50R	Nov.2002	1.25R	+465(7¼%-02)	CSFB-Effectenbank
STERLING							
BAT International Finance	200	8.50	99.529R	Dec.2005	0.375R	+67(8½%-02)	BZW/ UBS
GUILDERS							
Bayerische Landesbank	500	6.50	99.785R	Dec.2005	0.325R	+17(6¾%-05)	ABN Amro Hoare Govett
BNG	500	6.00	99.66R	Dec.2002	0.30R	+12½(l)	ABN Amro/ SBC Warburg
FRENCH FRANCS							
Cofinoga‡	1bn	(d)	100.005R	Jun.1997	0.125R	-	CCF
LUXEMBOURG FRANCS							
Société Générale, Paris	2bn	7.25	102.80	Dec.2005	2.00	-	Crédit Européen
CANADIAN DOLLARS							
Farm Credit Corporation(l)	100	6.25	98.875R	Jan.1999	0.1875R	-5(8%-99)	Hambros Bank
DRACHMAS							
European Investment Bank(e)‡	25bn	(e1)	100.00	Mar.2000	0.20	-	ABN Amro Athens

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) Issuer may extend to Dec.2030 for 7% premium. a1) 6-mth Libor +30bp. b) Series 22. Callable on coupon dates from 29/11/96 at par. b1) 6-mth Libor +100bp to 29/11/96 and 8% fixed annual thereafter. b2) Series 24: $25m, 6mth Libor +80bp to 29/5/96 and 8% fixed annual thereafter, callable on coupon dates from 29/5/96 at par. c) Fungible with DM500m. Plus 28 days accrued. d) 3-mth Pibor +$\frac{1}{16}$%. e) Fungible with Dr20bn. e1) 3-mth Athibor -40bp; max 30%. l) Over interpolated yield. l) Long 1st coupon.

Yugoslav debt prices up

By Richard Lapper

Prices of debt issued by the former Yugoslavia rose sharply in the secondary market yesterday following the peace agreement on Tuesday and the prospect of an end to sanctions against Serbia.

Debt which US investors can buy increased from between 44 cents to 47 cents, before dropping back to 46 cents on profit-taking. Debt with Serbian obligors, which US investors are barred from trading because of sanctions, also increased in price by about 3 cents, being quoted at 44 cents in the dollar in London.

Hopes are high that the end of the war will allow Serbia to renegotiate its part of the debt, which accounts for at least 35 per cent of overall outstanding obligations to commercial banks of more than $4bn.

The price of the debt had already increased this year in anticipation of rescheduling agreements involving Croatia and Slovenia.

Before Croatia announced its Paris Club agreement in March, Yugoslav debt paper had been changing hands at about 25 cents in the dollar. A deal involving Slovenia is close to completion.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	93.8600	–	8.44	8.61	8.45
Austria		6.500	11/05	98.2500	+0.270	6.75	6.77	7.00
Belgium		6.500	03/05	97.8700	+0.210	6.81	6.79	7.08
Canada *		8.750	12/05	109.0200	+0.380	7.45	7.59	7.56
Denmark		7.000	12/04	96.7400	+0.440	7.51	7.88	7.85
France	BTAN	7.750	04/00	106.0000	+0.130	6.12	6.17	6.87
	OAT	7.750	10/05	105.4100	+0.260	6.98	6.99	7.50
Germany Bund		6.500	10/05	101.4300	+0.310	6.30	6.30	6.54
Ireland		6.250	10/04	91.0000	+0.550	7.66	7.85	8.19
Italy		10.500	09/05	95.2000	+0.290	11.32†	11.32	11.42
Japan	No 129	6.400	03/00	120.7390	+0.360	1.31	1.41	1.51
	No 174	4.600	09/04	113.6010	+0.640	2.69	2.72	2.71
Netherlands		6.750	11/05	102.9200	+0.320	6.34	6.30	6.62
Portugal		11.875	02/05	107.9200	+1.170	10.48	10.84	11.19
Spain		10.150	01/06	96.0600	–	10.39	10.52	10.81
Sweden		6.000	02/05	82.5770	+0.430	8.84	9.19	9.36
UK Gilts		8.000	12/00	103-25	+10/32	7.09	7.19	7.60
		8.500	12/05	105-16	+13/32	7.70	7.80	8.07
		9.000	10/08	109-11	+14/32	7.83	7.93	8.18
US Treasury *		6.500	08/05	103-30	-3/32	5.96	5.98	5.96
		6.875	08/25	107-28	-10/32	6.29	6.29	6.30
ECU (French Govt)		7.500	04/05	101.0100	+0.370	7.34	7.42	7.74

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.10	Two year	5.50
Prime rate	8¾	Two month	5.62	Three year	5.58
Broker loan rate	7¼	Three month	5.52	Five year	5.71
Fed.funds	5$\frac{11}{16}$	Six month	5.52	10-year	5.93
Fed.funds at intervention	-	One year	5.46	30-year	6.27

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	118.98	119.10	+0.28	119.20	118.96	91,622	105,669
Mar	118.10	118.24	+0.28	118.30	118.10	876	15,493
Jun	118.32	118.44	+0.26	118.50	118.32	787	3,130

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
116	-	2.76	3.30	0.01	0.79	0.90
117	2.12	2.00	-	0.01	1.17	-
118	1.18	1.41	0.20	0.07	-	1.57
119	0.39	0.91	-	0.28	-	-
120	0.08	0.58	-	-	-	-

Est. vol. total, Calls 14,117 Puts 21,721. Previous day's open int., Calls 169,237 Puts 193,706.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.45	97.72	+0.34	97.75	97.43	121514	176165
Mar	96.85	97.13	+0.34	97.15	96.85	15210	38126

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9750	0.24	0.34	0.61	0.80	0.02	0.71	0.98	1.17
9800	0.02	0.18	0.41	0.60	0.30	1.05	1.28	1.47
9850	0	0.09	0.27	0.44	0.78	1.46	1.64	1.81

Est. vol. total, Calls 14741 Puts 14132. Previous day's open int., Calls 224200 Puts 223071

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	103.30	103.47	+0.41	103.69	103.21	27206	42222
Mar	102.95	103.09	+0.37	103.17	102.95	1340	3727

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
10300	0.47	1.98	0	1.89
10350	0	1.74	0.09	2.15
10400	0	1.50	0.53	2.41

Est. vol. total, Calls 2390 Puts 1553. Previous day's open int., Calls 50526 Puts 48012

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	91.08	91.61	+0.68	91.69	91.08	73,128	33,530
Mar	91.30	91.54	+0.53	91.33	91.15	1,010	3,343

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	108-15	108-27	+0-17	108-30	108-13	34406	100423
Mar	107-29	108-08	+0-17	108-11	107-27	1974	8394

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
108	0-56	1-08	1-35	1-53	0-02	0-54	1-19	1-37
109	0-12	0-39	1-04	1-21	0-22	1-23	1-52	2-05
110	0-01	0-20	0-45	0-61	1-11	2-04	2-29	2-45

Est. vol. total, Calls 832 Puts 1309. Previous day's open int., Calls 38330 Puts 36035

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	89.02	89.20	+0.32	89.24	89.02	819	9,074

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	117-09	117-13	+0-02	117-17	117-04	286,178	306,671
Mar	116-31	117-04	+0-02	117-09	116-26	30,572	118,192
Jun	116-18	116-20	+0-02	116-23	116-10	416	13,465

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	122.48	-	-	122.67	122.47	1239	0
Mar	121.10	-	-	121.32	121.10	2659	0

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Wed Nov 22	Day's change %	Tue Nov 21	Accrued interest	xd adj. ytd		Low coupon yield Nov 22	Nov 21	Yr. ago	Medium coupon yield Nov 22	Nov 21	Yr. ago	High coupon yield Nov 22	Nov 21	Yr. ago
1 Up to 5 years (22)	122.82	+0.10	122.50	2.05	9.72	5 yrs	7.20	7.25	8.32	7.20	7.25	8.38	7.28	7.33	8.50
2 5-15 years (21)	147.58	+0.37	147.02	1.38	11.73	15 yrs	7.84	7.89	8.33	7.88	7.94	8.44	7.96	8.01	8.69
3 Over 15 years (9)	164.97	+0.57	164.08	2.11	12.13	20 yrs	7.90	7.95	8.30	7.92	7.98	8.44	7.99	8.04	8.69
4 Irredeemables (6)	187.33	+0.25	186.87	0.90	13.47	Irred.†	8.02	8.04	8.37						
5 All stocks (58)	143.17	+0.32	142.71	1.77	11.18										

Index-linked							Inflation 5% Nov 22	Nov 21	Yr. ago	Inflation 10% Nov 22	Nov 21	Yr. ago
6 Up to 5 years (1)	194.58	+0.04	194.45	0.66	8.37	Up to 5 yrs	2.78	2.79	3.83	1.58	1.59	2.59
7 Over 5 years (11)	187.74	+0.19	187.37	1.19	4.45	Over 5 yrs	3.56	3.58	3.83	3.36	3.37	3.63
8 All stocks (12)	187.76	+0.19	187.40	1.17	4.54							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 22	Nov 21	Nov 20	Nov 17	Nov 16	Yr ago	High*	Low*
Govt. Secs. (UK)	94.73	94.73	94.58	94.73	94.92	92.37	95.51	90.22
Fixed Interest	113.33	113.31	113.36	113.63	113.09	108.68	114.66	108.77

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Nov 21	Nov 20	Nov 17	Nov 16	Nov 15
Gilt Edged bargains	91.0	88.0	98.0	109.3	108.5
5-day average	99.0	96.6	93.6	90.3	85.6

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	1995 High	1995 Low
Shorts" (Lives up to Five Years)						
[illegible]						

Other Fixed Interest

[illegible]

"Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on November 22

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 5 97	1000	99⅛	99¼		5.76
Abbey Natl Treasury 6½ 03	1000	100⅛	100⅜	-⅛	6.47
Sweden 8 97	2500	105⅛	105⅜	+⅛	4.32
United Kingdom 7¼ 97	5500	105¼	105⅜		4.23
Volkswagen Intl Fin 7 03	1000	102⅝	102⅞	-⅛	6.54
Abbey Natl Treasury 8 03 £	1000	99⅝	99⅞	+⅛	8.05
Alliance Leics 11⅜ 97 £	100	106	106⅜		6.55
[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: [illegible]. CONVERTIBLE BONDS: [illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Foreign exchanges succumb to holiday mood

By Philip Gawith

The proximity of the Thanksgiving Day weekend in the US was yesterday sufficient reason for a very quiet day on the foreign exchanges.

Better than expected US trade figures, and a combination of events in Germany which encourage the view that there will be a cut in interest rates, failed to galvanise much activity, as traders sought to close out positions, rather than than take on any new risk.

The dollar finished in London at DM1.4085, from DM1.4079. Against the yen it closed at Y101.03, from Y101.355.

Sterling continued its gentle recovery from last week's lows, as the market retreated from some of the more apocalyptic versions of what Mr Kenneth Clarke, the chancellor, might announce in next week's budget. It finished at DM2.1991, from DM2.1949, and at \$1.5613, from \$1.559.

There was little movement in the European cross-rates, despited the release of an EMI report suggesting that countries like Italy, Spain and Portugal were unlikely to satisfy the Maastricht convergence criteria. The D-Mark finished at FFr3.450 against the French franc from FFr3.448.

■ The dollar spiked up on the release of the better than expected trade data, but then lost ground as traders squared positions ahead of the Thanksgiving weekend. The US's September trade deficit was narrower than expected, and the figures were further enhanced by the fact that the improvement was attributable mostly to a strong export performance, particularly in the automobile sector.

Mr Peter Farley, currency analyst at MMS in London, said that markets were extremely illiquid at present, with comparatively small volumes capable of causing large spikes in prices.

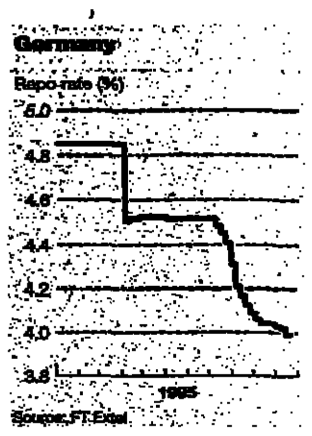
Earlier the dollar had failed to make much progress despite the cut in the German repo rate to 3.97 per cent from 3.98 per cent, better than expected producer price inflation figures and a mid-range M3 money supply number in Germany.

"All of these would collectively justify the Bundesbank having a look at another easing, but it was all just glossed over. The market is not in a very positive mood," said Mr Farley.

He said that investors preferred to enter the long weekend (Japan is also on holiday tomorrow) with fairly square positions, and this in turn deprived interbank traders of the momentum they needed to trade off.

■ **Pound in New York**

Nov 22	Latest	Prev. close
£ spot	1.5640	1.5570
1 mth	1.5627	1.5586
3 mth	1.5609	1.5539
1 yr	1.5515	1.5432



■ Looking ahead, Mr Mike Rosenberg, head of international fixed income research at Merrill Lynch in New York, predicts that the next big move in currency markets is likely to involve the D-Mark. This is based on the group's latest Global Investor Survey, a quarterly event, of 96 fund managers in leading markets across the globe.

The main finding is that exposure to the D-Mark rose to record levels in November, while exposure to the yen fell to the second lowest level ever (the survey has been conducted 26 times since 1989). This has made investors who are long D-Marks, short yen, vulnerable to any sentiment swing.

Mr Rosenberg also pointed out that while the D-Mark is still close to its all time high, the yen has fallen by more than 25 per cent. So while he believes the dollar could remain stuck around Y101, he thinks it could rally to DM1.45/50 on a cut in the German discount rate.

Mr Rosenberg said their survey also showed that investors were record overweight in German bunds, but slightly underweight bonds in other European countries like the UK and France. "If people decide to cut exposure to the D-Mark, we could see a pretty dramatic move in spreads and crosses. Investor positions are pretty extreme."

Investors also remain heavily overweight the dollar for the second quarter in a row. Mr Rosenberg said the dollar's difficulty in making further headway was probably explained by the fact that investors were already positioned for such a move, leaving little marginal interest to push the currency higher.

■ The Bank of England provided £747m assistance towards clearing a £750m money market shortage. Three month LIBOR traded at 6 11/16 per cent. The December short sterling contract continues to discount a rate cut of around 25 basis points.

■ **OTHER CURRENCIES**

Nov 22	£	$
Czech Rp	40.8336 - 40.8754	26.1620 - 26.1720
Hungary	206.931 - 207.142	132.580 - 132.630
Iran	4685.40 - 4682.40	3000.00 - 3000.00
Kuwait	0.4681 - 0.4685	0.2999 - 0.3000
Poland	3.8552 - 3.8655	2.4700 - 2.4750
Russia	7153.04 - 7153.15	4580.00 - 4583.00
U.A.E.	5.7314 - 5.7359	3.6721 - 3.6726

POUND SPOT FORWARD AGAINST THE POUND

Nov 22		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.4734	+0.0303	646 - 821	15.5214	15.4137	15.443	2.4	15.3844	2.3	-	-	107.0
Belgium	(BFr)	45.2231	+0.0883	008 - 453	45.3430	45.0300	45.1181	2.8	44.9231	2.7	44.1381	2.4	109.6
Denmark	(DKr)	8.5197	+0.014	149 - 245	8.5488	8.4854	8.5121	1.1	8.4955	1.1	8.433	1.0	109.9
Finland	(FM)	6.5735	+0.0141	664 - 805	6.5940	6.5370	6.5691	0.8	6.561	0.8	-	-	88.5
France	(FFr)	7.5866	+0.0179	824 - 907	7.6035	7.5501	7.5832	0.5	7.5955	-0.5	7.5922	-0.1	110.7
Germany	(DM)	2.1991	+0.0042	979 - 003	2.2082	2.1894	2.1943	2.6	2.1846	2.6	2.1434	2.5	112.3
Greece	(Dr)	363.744	+0.649	479 - 009	364.914	362.135	-	-	-	-	-	-	68.8
Ireland	(I£)	0.9713	+0.0014	703 - 722	0.9725	0.9688	0.9705	1.0	0.9692	0.9	0.966	0.6	97.0
Italy	(L)	2481.14	+1.86	917 - 311	2487.91	2475.02	2488.39	-3.5	2503.29	-3.6	2571.44	-3.6	70.0
Luxembourg	(LFr)	45.2231	+0.0883	008 - 453	45.3430	45.0300	45.1181	2.8	44.9231	2.7	44.1381	2.4	109.6
Netherlands	(Fl)	2.4628	+0.0051	614 - 642	2.4713	2.4530	2.4571	2.8	2.4459	2.7	2.4002	2.5	109.8
Norway	(NKr)	9.7043	-0.0013	973 - 113	9.7383	9.6740	9.6919	1.5	9.67	1.4	9.5945	1.1	98.7
Portugal	(Es)	230.120	+0.377	968 - 272	230.840	229.149	230.66	-2.8	231.88	-3.1	-	-	95.8
Spain	(Pta)	188.449	-0.356	311 - 587	188.982	188.029	188.949	-3.2	189.889	-3.1	194.289	-3.1	81.8
Sweden	(SKr)	10.1705	+0.0007	607 - 803	10.1925	10.1134	10.1727	-0.3	10.1773	-0.3	10.2006	-0.3	87.5
Switzerland	(SFr)	1.7745	+0.001	731 - 758	1.7789	1.7684	1.7674	4.8	1.7555	4.3	1.7026	4.1	116.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	82.8
Ecu	-	1.1987	+0.0017	979 - 995	1.2029	1.1945	1.1977	1.0	1.1957	1.0	1.1872	1.0	-
SDR†	-	1.03892	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5611	+0.0024	605 - 616	1.5627	1.5544	-	-	-	-	-	-	-
Brazil	(R$)	1.5061	+0.0031	054 - 067	1.5075	1.4995	-	-	-	-	-	-	-
Canada	(C$)	2.1138	+0.0072	127 - 148	2.1183	2.1052	2.1149	-0.6	2.1169	-0.6	2.1207	-0.3	84.3
Mexico	(New Peso)	12.0689	+0.0494	338 - 040	12.1041	12.0321	-	-	-	-	-	-	-
USA	($)	1.5613	+0.0023	608 - 618	1.5630	1.5547	1.56	1.0	1.5581	0.8	1.5478	0.9	92.8
Pacific/Middle East/Africa													
Australia	(A$)	2.1066	+0.0153	052 - 080	2.1080	2.0956	2.1079	-0.7	2.1107	-0.8	2.1255	-0.9	84.8
Hong Kong	(HK$)	12.0755	+0.0192	712 - 797	12.0882	12.0251	12.072	0.3	12.0595	0.5	12.0259	0.4	-
India	(Rs)	54.3567	+0.1052	158 - 975	54.4020	54.1500	-	-	-	-	-	-	-
Israel	(Shk)	4.7670	-0.0223	618 - 721	4.7821	4.7530	-	-	-	-	-	-	-
Japan	(Y)	157.736	-0.269	610 - 867	158.760	157.590	156.876	6.5	155.068	6.7	146.036	6.1	141.6
Malaysia	(M$)	3.9665	+0.0026	644 - 685	3.9711	3.9502	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3938	+0.0071	917 - 958	2.3961	2.3849	2.3998	-3.0	2.409	-2.5	2.4346	-1.7	100.4
Philippines	(Peso)	40.9061	+0.007	149 - 973	40.9979	40.8109	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8562	+0.009	539 - 585	5.8623	5.8318	-	-	-	-	-	-	-
Singapore	(S$)	2.2027	+0.0007	012 - 042	2.2055	2.1964	-	-	-	-	-	-	-
South Africa	(R)	5.6957	+0.0117	927 - 987	5.7003	5.6747	-	-	-	-	-	-	-
South Korea	(Won)	1199.94	+0.87	947 - 040	1201.17	1194.94	-	-	-	-	-	-	-
Taiwan	(T$)	42.8834	+0.0791	333 - 934	42.8935	42.4993	-	-	-	-	-	-	-
Thailand	(Bt)	39.2198	+0.0435	917 - 480	39.2630	39.0850	-	-	-	-	-	-	-

† Rates for Nov 21. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	9.9106	+0.0045	081 - 130	9.9550	9.8990	9.8955	1.8	9.8654	1.8	9.7561	1.6	107.0
Belgium	(BFr)	28.9650	+0.02	600 - 700	29.0690	28.9300	28.924	1.7	28.845	1.7	28.545	1.5	109.2
Denmark	(DKr)	5.4588	+0.0008	555 - 581	5.4790	5.4495	5.4576	-0.2	5.4533	0.3	5.4628	-0.1	109.2
Finland	(FM)	4.2103	+0.0027	071 - 134	4.2262	4.1999	4.2099	0.1	4.2088	0.1	4.2043	0.1	87.8
France	(FFr)	4.8591	+0.0041	580 - 602	4.8783	4.8510	4.8577	0.3	4.8563	0.2	4.8529	0.1	110.3
Germany	(DM)	1.4085	+0.0006	082 - 088	1.4150	1.4068	1.4065	1.7	1.4023	1.7	1.3867	1.5	111.7
Greece	(Dr)	232.975	+0.065	880 - 070	234.040	232.580	234.7	-8.9	237.9	-8.5	251.375	-7.9	66.2
Ireland	(I£)	1.6075	+0.0001	065 - 085	1.6107	1.6010	1.6077	-0.1	1.6078	-0.1	1.6142	-0.4	-
Italy	(L)	1589.15	-1.2	840 - 990	1594.70	1588.00	1595.9	-5.1	1607.95	-4.7	1665.15	-4.8	69.5
Luxembourg	(LFr)	28.9650	+0.02	600 - 700	29.0690	28.9300	28.924	1.7	28.845	1.7	28.545	1.5	109.2
Netherlands	(Fl)	1.5774	+0.0009	770 - 778	1.5886	1.5753	1.5747	2.0	1.5696	2.0	1.5496	1.8	109.1
Norway	(NKr)	6.2155	-0.0103	130 - 180	6.2440	6.2123	6.2117	0.7	6.2055	0.6	6.1955	0.3	97.6
Portugal	(Es)	147.390	+0.02	340 - 440	148.000	147.190	147.855	-3.8	148.865	-4.0	153.49	-4.1	95.9
Spain	(Pta)	120.700	-0.41	650 - 750	121.270	120.640	121.08	-3.8	121.85	-3.8	125.345	-3.8	81.2
Sweden	(SKr)	6.5141	-0.0094	099 - 183	6.5407	6.4892	6.5316	-3.2	6.5681	-3.3	6.7366	-3.4	86.8
Switzerland	(SFr)	1.1365	-0.0011	360 - 370	1.1410	1.1353	1.1329	3.8	1.1266	3.4	1.099	3.3	115.9
UK	(£)	1.5613	+0.0023	608 - 618	1.5630	1.5547	1.56	1.0	1.5581	0.8	1.5478	0.9	82.2
Ecu	-	1.3025	+0.0001	020 - 030	1.3036	1.2970	1.3029	-0.4	1.3036	-0.3	1.3059	-0.3	-
SDR†	-	0.66824	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	0.9646	+0.0005	645 - 647	0.9650	0.9644	-	-	-	-	-	-	-
Canada	(C$)	1.3539	+0.0026	538 - 541	1.3556	1.3532	1.3556	-1.5	1.3586	-1.4	1.3709	-1.3	83.5
Mexico	(New Peso)	7.7300	+0.02	100 - 500	7.7500	7.7100	7.7323	-0.3	7.7355	-0.3	7.7403	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	93.9
Pacific/Middle East/Africa													
Australia	(A$)	1.3492	+0.0078	488 - 497	1.3499	1.3487	1.351	-1.6	1.3546	-1.6	1.3743	-1.9	86.3
Hong Kong	(HK$)	7.7343	+0.0007	340 - 345	7.7345	7.7338	7.7359	-0.2	7.7378	-0.2	7.758	-0.3	-
India	(Rs)	34.8150	+0.015	000 - 300	34.8830	34.7800	34.965	-5.2	35.27	-5.2	36.74	-5.5	-
Israel	(Shk)	3.0532	-0.019	509 - 555	3.0718	3.0497	-	-	-	-	-	-	-
Japan	(Y)	101.030	-0.325	980 - 080	101.700	100.950	100.535	5.9	99.615	5.6	95.74	5.2	141.4
Malaysia	(M$)	2.5405	-0.002	400 - 410	2.5426	2.5400	2.5405	0.0	2.5409	-0.1	2.5485	-0.3	-
New Zealand	(NZ$)	1.5330	+0.0021	323 - 340	1.5340	1.5320	1.5371	-3.2	1.5446	-3.0	1.5693	-2.4	-
Philippines	(Peso)	26.2000	-0.035	500 - 500	26.2500	26.1500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7509	+0.0002	506 - 511	3.7511	3.7502	3.7515	-0.2	3.7523	-0.1	3.7555	-0.1	-
Singapore	(S$)	1.4108	-0.0017	103 - 113	1.4126	1.4113	1.4074	2.9	1.4011	2.8	1.3763	2.4	-
South Africa	(R)	3.6481	+0.0021	473 - 488	3.6492	3.6468	3.6734	-8.3	3.7234	-8.3	3.9546	-8.4	-
South Korea	(Won)	768.550	-0.6	500 - 600	768.900	768.300	771.55	-4.7	775.05	-3.4	793.55	-3.3	-
Taiwan	(T$)	27.3255	+0.0095	150 - 360	27.3440	27.3100	27.3455	-0.9	27.3855	-0.9	-	-	-
Thailand	(Bt)	25.1200	-0.01	100 - 300	25.1320	25.1100	25.2075	-4.2	24.855	4.2	26.075	-3.8	-

† SDR rate per $ for Nov 21. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 21: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

November 22	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3 11/16	3 23/32	3 23/32	3 11/16	4	8.00	3.50	-
week ago	3 23/32	3 23/32	3 23/32	4	4 1/16	8.00	3.50	-
France	5 3/4	5 1/2	5 1/2	5 1/2	5 7/16	4.80	-	6.10
week ago	5 13/16	5 1/2	5 13/16	5 13/16	5 3/4	5.00	-	6.60
Germany	3 13/16	3 13/16	3 13/16	3 13/16	3 13/16	5.50	3.50	3.97
week ago	3 13/16	3 13/16	3 7/8	3 13/16	3 13/16	5.50	3.50	3.98
Ireland	5 5/8	5 5/8	5 3/4	5 3/4	5 7/8	-	-	6.25
week ago	5 5/8	5 5/8	5 13/16	5 13/16	6 1/8	-	-	6.25
Italy	10 5/8	10 5/8	10 11/16	10 1/2	10 11/16	-	9.00	10.60
week ago	10 1/8	10 5/8	10 5/8	10 5/8	10 3/4	-	9.00	10.60
Netherlands	3 3/4	3 3/4	3 3/4	3 3/4	3 13/16	-	3.50	3.60
week ago	3 3/4	3 3/4	3 13/16	3 7/8	3 7/8	-	3.50	3.70
Switzerland	2	2	2	1 13/16	1 13/16	5.00	2.00	-
week ago	1 3/4	2	1 13/16	1 7/8	1 7/8	5.00	2.00	-
US	5 3/4	5 3/4	5 13/16	5 5/8	5 9/16	-	5.25	-
week ago	5 3/4	5 3/4	5 3/4	5 5/8	5 5/8	-	5.25	-
Japan	7/16	1/2	1/2	7/16	3/8	-	0.50	-
week ago	7/16	1/2	1/2	1/2	3/8	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 13/16	5 13/16	5 11/16	5 9/16	-	-	-
week ago	-	5 13/16	5 7/8	5 3/4	5 11/16	-	-	-
US Dollar CDs	-	5.60	5.47	5.42	5.39	-	-	-
week ago	-	5.60	5.50	5.46	5.42	-	-	-
ECU Linked Ds	-	5 5/8	5 5/8	5 5/8	5 5/8	-	-	-
week ago	-	5 5/8	5 5/8	5 5/8	5 5/8	-	-	-
SDR Linked Ds	-	3 13/16	3 13/16	3 13/16	3 1/2	-	-	-
week ago	-	3 13/16	3 3/4	3 3/4	3 13/16	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 22	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 1/16 - 3 15/16	4 1/16 - 3 15/16	4 - 3 7/8	4 - 3 7/8	4 - 3 7/8	4 1/16 - 3 15/16
Danish Krone	5 1/2 - 5 1/4	5 3/8 - 5 1/8	5 7/16 - 5 1/4	5 7/16 - 5 1/4	5 3/8 - 5 1/8	5 7/16 - 5 3/16
D-Mark	4 - 3 7/8	4 - 3 7/8	3 15/16 - 3 13/16	4 - 3 7/8	3 7/8 - 3 5/8	3 7/8 - 3 5/8
Dutch Guilder	3 3/4 - 3 5/8	3 3/4 - 3 5/8	3 3/4 - 3 5/8	3 29/32 - 3 25/32	3 29/32 - 3 25/32	3 15/16 - 3 3/4
French Franc	5 1/2 - 5 3/8	5 5/8 - 5 1/4	5 1/2 - 5 3/8	5 9/16 - 5 7/16	5 1/2 - 5 3/8	5 1/2 - 5 3/8
Portuguese Esc.	8 13/16 - 8 11/16	8 13/16 - 8 11/16	8 13/16 - 8 3/4	9 - 8 7/8	9 - 8 7/8	9 1/16 - 8 15/16
Spanish Peseta	9 5/16 - 9 1/16	9 1/2 - 9 3/8	9 1/2 - 9 3/8	9 7/16 - 9 5/16	9 7/16 - 9 5/16	9 7/16 - 9 5/16
Sterling	6 13/16 - 6 11/16	6 13/16 - 6 11/16	6 13/16 - 6 3/4	6 13/16 - 6 5/8	6 5/8 - 6 1/2	6 15/16 - 6 13/16
Swiss Franc	2 3/8 - 2 1/8	2 3/8 - 2 1/8	2 1/16 - 1 15/16	2 1/16 - 1 15/16	1 15/16 - 1 13/16	1 15/16 - 1 13/16
Can. Dollar	6 1/8 - 5 13/16	6 - 5 13/16	5 15/16 - 5 13/16	6 - 5 7/8	6 - 5 7/8	6 1/8 - 6
US Dollar	5 13/16 - 5 11/16	5 13/16 - 5 11/16	5 13/16 - 5 5/8	5 7/8 - 5 11/16	5 3/4 - 5 1/2	5 11/16 - 5 7/16
Italian Lira	10 7/16 - 10 3/16	10 7/16 - 10 3/16	10 1/2 - 10 3/8	10 9/16 - 10 7/16	10 9/16 - 10 7/16	10 9/16 - 10 7/16
Yen	1/2 - 1/4	1/2 - 3/8	15/32 - 7/16	3/8 - 1/4	3/8 - 1/4	13/32 - 9/32
Asian $Sing	2 - 1 7/8	2 1/8 - 2	2 3/8 - 2 1/4	2 5/8 - 2 1/2	2 3/4 - 2 5/8	3 - 2 7/8

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.47	94.45	+0.02	94.49	94.43	27,300	45,132
Mar	94.72	94.73	+0.01	94.76	94.72	7,004	37,234
Jun	94.84	94.87	+0.03	94.88	94.84	5,046	36,643

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.08	96.09	+0.01	96.10	96.08	15069	125022
Mar	96.29	96.32	+0.04	96.32	96.28	25652	153695
Jun	96.30	96.34	+0.04	96.35	96.29	18766	119968
Sep	96.17	96.24	+0.07	96.25	96.17	16763	101842

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.46	89.51	+0.08	89.52	89.45	4979	22937
Mar	89.74	89.81	+0.08	89.81	89.74	2064	29628
Jun	89.98	90.03	+0.07	90.02	89.97	558	15918
Sep	90.03	90.11	+0.11	90.11	90.00	177	8986

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.00	98.01	+0.02	98.01	97.99	1512	19185
Mar	98.20	98.26	+0.07	98.27	98.20	2687	23776
Jun	98.22	98.27	+0.05	98.28	98.22	523	9087
Sep	98.16	98.21	+0.08	98.21	98.16	527	4645

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.57	94.58	+0.03	94.59	94.56	817	7082
Mar	94.72	94.74	+0.03	94.74	94.72	599	5311
Jun	94.75	94.82	+0.07	94.82	94.75	237	3824
Sep	94.66	94.73	+0.07	94.73	94.66	238	1926

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
8950	0.18	0.66	0.92	0.17	0.34	0.39
8975	0.08	0.50	0.76	0.32	0.44	0.48
9000	0.05	0.38	0.62	0.54	0.57	0.59

Est. vol. total, Calls 903 Puts 0. Previous day's open int., Calls 17154 Puts 8268

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 22		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.84	16.78	4.863	2.147	5487	5.447	21.46	508.8	416.8	22.49	3.925	2.211	4.675	3.452	348.7	2.651
Denmark	(DKr)	53.08	10	8.905	2.581	1.140	2912	2.891	11.39	270.1	221.1	11.94	2.083	1.174	2.481	1.832	185.1	1.407
France	(FFr)	59.60	11.23	10	2.898	1.280	3270	3.246	12.79	303.3	248.3	13.40	2.340	1.318	2.786	2.057	207.9	1.580
Germany	(DM)	20.56	3.874	3.450	1	0.442	1128	1.120	4.413	104.6	85.68	4.625	0.807	0.455	0.961	0.710	71.71	0.545
Ireland	(I£)	46.57	8.774	7.814	2.265	1	2555	2.537	9.994	237.0	194.0	10.47	1.828	1.030	2.177	1.608	162.4	1.235
Italy	(L)	1.823	0.343	0.306	0.089	0.039	100.	0.099	0.391	9.274	7.594	0.410	0.072	0.040	0.085	0.063	6.356	0.048
Netherlands	(Fl)	18.36	3.459	3.080	0.893	0.394	1007	1	3.940	93.42	76.49	4.129	0.721	0.406	0.858	0.634	64.03	0.487
Norway	(NKr)	46.60	8.780	7.818	2.266	1.001	2557	2.538	10	237.1	194.1	10.48	1.829	1.031	2.178	1.609	162.5	1.236
Portugal	(Es)	19.65	3.703	3.297	0.956	0.422	1078	1.070	4.217	100.	81.88	4.420	0.771	0.435	0.919	0.678	68.54	0.521
Spain	(Pta)	24.00	4.522	4.027	1.167	0.515	1317	1.307	5.151	122.1	100.	5.398	0.942	0.531	1.122	0.829	83.70	0.636
Sweden	(SKr)	44.46	8.378	7.460	2.162	0.955	2440	2.422	9.542	226.3	185.3	10	1.745	0.983	2.079	1.535	155.1	1.179
Switzerland	(SFr)	25.48	4.800	4.274	1.239	0.547	1398	1.388	5.467	129.6	106.1	5.730	1	0.563	1.191	0.879	88.85	0.675
UK	(£)	45.22	8.520	7.587	2.199	0.971	2481	2.463	9.704	230.1	188.4	10.17	1.775	1	2.114	1.561	157.7	1.199
Canada	(C$)	21.39	4.030	3.589	1.040	0.459	1174	1.165	4.590	108.8	89.12	4.811	0.840	0.473	1	0.738	74.60	0.567
US	($)	28.97	5.458	4.860	1.409	0.622	1589	1.578	6.217	147.4	120.7	6.515	1.137	0.641	1.354	1	101.0	0.768
Japan	(Y)	28.67	5.403	4.811	1.394	0.616	1573	1.562	6.153	145.9	119.5	6.449	1.126	0.634	1.341	0.990	100.	0.760
Ecu		37.71	7.106	6.328	1.834	0.810	2069	2.054	8.093	191.9	157.1	8.482	1.480	0.834	1.763	1.302	131.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.7112	0.7109	-0.0002	0.7130	0.7076	13,799	51,727
Mar	0.7137	0.7142	-0.0001	0.7160	0.7111	144	4,304
Jun	-	0.7172	-	0.7180	0.7345	23	583

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.8815	0.8820	+0.0003	0.8842	0.8781	8,399	35,379
Mar	0.8900	0.8902	+0.0004	0.8923	0.8862	159	2,291
Jun	0.8967	0.8982	+0.0005	0.8995	-	19	501

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	0.9889	0.9960	+0.0068	0.9992	0.9885	12,905	62,646
Mar	1.0030	1.0097	+0.0069	1.0130	1.0005	440	9,736
Jun	1.0245	1.0226	+0.0071	1.0245	1.0220	53	435

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	1.5580	1.5620	+0.0048	1.5650	1.5584	4,457	47,952
Mar	1.5550	1.5592	+0.0048	1.5618	1.5516	136	3,532
Jun	-	1.5556	+0.0048	1.5570	1.5480	2	10

UK INTEREST RATES

LONDON MONEY RATES

Nov 22	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7 1/4 - 6	7 - 6 3/4	6 11/16 - 6 9/16	6 3/4 - 6 5/8	6 5/8 - 6 1/2	6 9/16 - 6 7/16
Sterling CDs	-	-	6 13/16 - 6 3/4	6 5/8 - 6 9/16	6 1/2 - 6 7/16	6 7/16 - 6 3/8
Treasury Bills	-	-	6 21/32 - 6 19/32	6 1/2 - 6 7/16	-	-
Bank Bills	-	-	6 23/32 - 6 21/32	6 17/32 - 6 15/32	6 3/8 - 6 5/16	-
Local authority deps.	6 13/16 - 6 11/16	6 3/4 - 6 5/8	6 3/4 - 6 5/8	6 5/8 - 6 9/16	6 9/16 - 6 7/16	6 9/16 - 6 7/16
Discount Market deps	7 1/8 - 6 3/4	6 13/16 - 6 11/16	-	-	-	-

UK clearing bank base lending rate 6 3/4 per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5 3/4	5 3/4	6	6 1/4

Certs of Tax dep. under £100,000 is 2 1/2pc. Deposits withdrawn for cash 1 1/4pc.
Ave. tender rate of discount 6.4055pc. ECGD fixed rate Stg. Export Finance. Make up day Oct 31, 1995. Agreed rate for period Nov 26, 1995 to Dec 25, 1995, Schemes II & III 8.07pc. Reference rate for period Sep 30, 1995 to Oct 31, 1995, Schemes IV & V 6.811pc. Finance House Base Rate 7pc from November 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.44	93.47	+0.04	93.48	93.44	9798	79822
Mar	93.65	93.70	+0.07	93.71	93.65	12526	83377
Jun	93.70	93.75	+0.06	93.76	93.70	6423	50895
Sep	93.64	93.69	+0.07	93.70	93.64	5223	42926
Dec	93.46	93.53	+0.09	93.54	93.46	4274	28588

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9325	0.25	0.53	0.67	0.03	0.08	0.17
9350	0.09	0.34	0.50	0.12	0.14	0.25
9375	0.02	0.19	0.35	0.30	0.24	0.35

Est. vol. total, Calls 11130 Puts 3023. Previous day's open int., Calls 156867 Puts 151389

EMS EUROPEAN CURRENCY UNIT RATES

Nov 22	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.09783	+0.00079	-2.52	7.23	19
Belgium	39.3960	38.5160	+0.0118	-2.23	6.91	16
Germany	1.91007	1.87346	+0.00079	-1.92	6.56	19
Austria	13.4383	13.1814	+0.0048	-1.91	6.56	14
Spain	162.493	160.710	-0.334	-1.10	5.68	8
Denmark	7.28580	7.25792	+0.0001	-0.38	4.92	3
Portugal	195.792	196.052	+0.07	0.13	4.38	-1
France	6.40608	6.46374	+0.00364	0.90	3.59	-8
Ireland	0.792214	0.828039	-0.000824	4.52	0.00	-30
NON ERM MEMBERS						
Greece	292.867	308.982	-0.065	5.84	-1.24	-
Italy	2106.15	2113.70	-0.56	0.36	4.15	-
UK	0.786652	0.853399	-0.001715	8.48	-3.65	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	Calls Dec	Calls Jan	Calls Feb	Puts Dec	Puts Jan	Puts Feb
1.540	2.51	3.15	3.74	0.30	1.04	1.81
1.550	1.81	2.53	3.16	0.57	1.41	2.13
1.560	1.21	2.02	2.63	0.97	1.85	2.55
1.570	0.75	1.58	2.22	1.52	2.40	3.09
1.580	0.43	1.18	1.81	2.19	2.96	3.68
1.590	0.22	0.86	1.46	2.92	3.64	4.32

Previous day's vol., Calls 7,566 Puts 6,007. Prev. day's open int., Calls 245,170 Puts 290,694

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.27	94.26	-0.01	94.27	94.25	28,333	337,152
Mar	94.61	94.61	-0.01	94.64	94.60	84,302	421,716
Jun	94.66	94.65	-0.02	94.68	94.63	62,155	306,538

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.71	94.70	-0.02	94.72	94.70	1,040	8,706
Mar	95.02	95.01	-	95.02	95.00	391	7,006
Jun	95.07	95.06	-	95.07	95.05	207	1,014

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
9600	0.12	0.34	0.36	0.37	0.03	0.02	0.04	0.05
9625	0.02	0.14	0.17	0.18	0.18	0.07	0.10	0.11
9650	0	0.04	0.06	0.08	0.41	0.22	0.24	0.26

Est. vol. total, Calls 4915 Puts 4663. Previous day's open int., Calls 254118 Puts 249035

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9800	0.07	0.34	0.41	0.06	0.08	0.14
9825	0.03	0.18	0.24	0.27	0.17	0.22
9850	0.01	0.09	0.14	0.50	0.33	0.37

Est. vol. total, Calls 503 Puts 0. Previous day's open int., Calls 8990 Puts 2658

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk.	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

● Members of London Investment Banking Association
* In administration

LONDON SHARE SERVICE

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FT-SE Actuaries Share Indices.

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or –	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31¾	—	£34	£29	2,109	2.7	15.7
Barlow	♣	£9¾	-⅛	£8¾	£4¾	1,785	1.7	Φ
Gold Flds Prop R		162xd	+2	182	118	15.5	6.9	6.9
NK Props		85	—	85	85	3.45	13.7	–
SASOL	♥	494	-67	648	435	2,834	2.8	–
SA Brews		£21½	-⅛	£21⅞	£17⅞	6,086	1.6	29.0
Standard Bank	□	£27¼	-⅛	£27½	£20¾	3,258	1.7	18.9
Tiger Oats		1060	—	1087	700	1,584	1.8	Φ
Tongaat-Hulett	†	887	+15	887	636	817.5	2.2	17.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IMR 'Headline Earnings'formats.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
k Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings
M Yield based on prospectus or other official estimates for 1995-96.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

[illegible]

Jupiter Tyndall (Bermuda) Ltd

[illegible]

BERMUDA (REGULATED)(**)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

[illegible]

Sarasin Funds Mngmt (Guernsey) Ltd

[illegible]

Schroder Investment Mngmt (Guernsey) Ltd

[illegible]

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

GT Asset Management (Ireland) Ltd

[illegible]

IRELAND (REGULATED)(**)

[illegible]

Calpine Fund

Capital Vision Fund

Chemical Ireland Fund Administration Ltd

Citizens Investment Trust Mngt Company

DIT Dresdner Global Strategies Fund

Daiwa Europe Fund Managers Ireland Ltd

Dragon Korea Fund Plc

Dynamic Pacific Portfolio Fund Plc

Egerton Capital European Fund Plc

Emerging Dynamic Fund Plc

Emerging Market Growth Fund Plc

F.I.T. Investment Trust Ltd

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

هكذا من الاصل

FT MANAGED FUNDS SERVICE

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON STOCK EXCHANGE

MARKET REPORT

Bid news drives Footsie to record closing high

By Steve Thompson, UK Stock Market Editor

A fresh burst of actual and rumoured takeover fever fuelled another upsurge in UK share prices yesterday, pushing the FT-SE 100 index ahead to yet another all-time closing record.

Forte, the international hotels group, which was the subject of keen takeover rumours earlier this week, attracted a £3bn-plus hostile bid from Granada, the leisure group. Numerous other bid rumours were circulating in the market during a frantic trading session.

Of these, the recent takeover speculation surrounding Cable and Wireless, the telecoms group whose chairman and chief executive left the company in controversial circumstances on Tuesday, picked up momentum yesterday, propelling the shares to their highest level since August last year.

The banks sector was also heavily bought late in the day, with renewed talk of a bid for Standard Chartered doing the rounds. However, a visit to one of the City's leading broking houses was seen by some as a more likely reason for the surge in the share price.

In the background, Wall Street provided further backbone to European markets, racing ahead to a record peak on Tuesday evening and making further strong progress at the opening yesterday, when Tuesday's 40 points-plus gain was followed by a rise of some 25 points during the morning.

Rounding off a generally satisfying trading session in equities was a resolute and strong showing by international bond markets. UK gilts closed around the day's highest levels, up around 24 ticks on the back of a firm sterling market.

The FT-SE 100 index left 3,600 way behind, closing 28.3 higher at 3,632.4, only 7.1 off its all-time intra-day peak. The FT-SE Mid 250 index was left behind somewhat, ending 8.1 firmer at 3,949.3, while the FT-SE Actuaries All-Share index moved up 10.87 to 1,776.60, just 0.11 shy of its record reached on Monday.

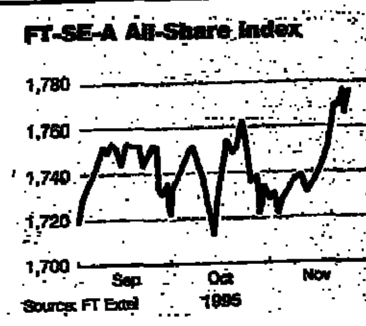
Turnover in equities continued to expand, reaching a hefty 937.6m shares by 6pm, the highest level for some months. The steep rise in activity on Tuesday was translated into a sharp increase in customer business, which topped the £2bn mark to reach £2.19bn.

The big increase in turnover was not solely down to the session's buy-side stories. Vodafone attracted its second-heaviest trade in a single session, with US investors said to have continued to unload the stock in London yesterday, after the disappointing numbers announced on Tuesday afternoon. Guinness shares weakened again as the market remained convinced that the sale of at least some of the LVMH stake could be imminent.

Apart from Forte and Cable and Wireless, there was a big gain in Courtaulds, where the market registered its relief that the interims were not as bad as feared. The composite insurances figured prominently, climbing rapidly in response to the latest good gains in international bond and equity markets.

Insurance broker Sedgwick attracted some heavy support after a buy recommendation from BZW, while Credit Lyonnais Laing was said to have promoted a general advance by water shares.

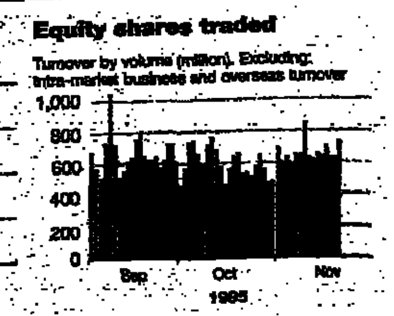
FT-SE-A All-Share Index



Source: FT Extel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3632.4	+28.3
FT-SE Mid 250	3949.3	+8.1
FT-SE-A 350	1801.4	+11.8
FT-SE-A All-Share	1776.60	+10.87
FT-SE-A All-Share yield	3.80	(3.82)
FT Ordinary index	2656.8	+40.9
FT-SE-A Non Fins p/e	16.59	(16.59)
FT-SE100 Fut Dec	3644.0	+29.0
10 yr Gilt yield	7.70	(7.76)
Long gilt/equity yld ratio:	2.10	(2.10)

Best performing sectors

1 Leisure & Hotels .... +2.5
2 Tobacco .... +2.5
3 Insurance .... +2.3
4 Banks, Retail .... +1.7
5 Water .... +1.5

Worst performing sectors

1 Gas Distribution .... -1.2
2 Distributors .... -1.2
3 Spirits, Wines & Ciders .... -0.8
4 Bldg. & Construction .... -0.5
5 Textiles & Apparel .... -0.3

US selling unsettles Vodafone

Mobile phones group Vodafone tumbled in the second highest volume on record as profits downgrades by brokers combined with continued heavy US selling to push the shares to the bottom of the Footsie performance charts.

Volume in the stock soared to 56m in the wake of Tuesday's cautious interim statement, and the shares dropped to 216p, down 23p and off 15 per cent in two days.

There was a two-way pull as some UK brokers saw the setback as a buying opportunity, but the weight of selling from Wall Street was decisive on the day. Fidelity, the big US fund management group, reduced its holding in the group by around 1 percentage point.

Sentiment came under pressure from the outset. Overnight weakness for US technology stocks washed over on to a number of European cellular-based shares, while UK brokers, concerned about demand trends and competitive pressures at Vodafone, cut current year profits estimates.

However, James Capel, a seller of Vodafone for the past nine months, felt there was value in the recent ferocious shakeout and shifted its stance to "hold". NatWest Securities, which cut its profits forecasts by 3 per cent for this year and by 7 per cent for 1996, moved from a "hold" to "buy".

Cable and Wireless was the day's third fastest rising Footsie share, adding almost 9 per cent in 38m shares traded. The stock climbed 37 to a 1995 high of 466p as the market warmed to the group's boardroom departures.

One top analyst said: "We are in fantasy land really. Anything could happen. But any change is possibly good for the company."

Speculation on the direction to be taken by the incoming management was rampant. There was determined takeover talk plus rumours that an early move might be made to demerge Hongkong Telecom.

Forte bid

The market spotlight was firmly fixed on Forte, as dealers eagerly waited for the UK hotels and restaurants group to unveil its defence against a £3.28bn hostile bid from leisure giant Granada Group.

Hints of the bid had first emerged earlier this week with heavy dealing in the traded options sector, but yesterday's announcement was none the less a surprise for most market watchers.

Forte surged on the news, rising by more than 26 per cent as the stock jumped 72½ to 347½p, making it by far the day's best performer. Hectic trading in the stock brought hefty volume of 47m shares, its highest ever one-day total. The equivalent of around 11m shares were dealt in the traded options sector.

Several analysts said they expected Forte to launch a quick sale of some of its "trophy" holdings, such as its stake in the Savoy Hotel, and also Grosvenor House, another London hotel, as part of its defence, although there was some doubts about its ability to find buyers quickly.

However, the general feeling was that Granada was likely to win control, although it would have to increase its offer from the present 326p to between 370p and 400p. Mr Bruce Jones at Merrill Lynch said: "The market is appreciative of Granada's management skills which will count for a lot, but this will be a tough battle."

Shares in Granada, which also reported better than expected final figures, fell 48 to 649p in busy trade of 18m on worries that the group will have to pay a lot more to secure Forte and concerns that it was moving into hotels.

Mr Nigel Hicks at Panmure Gordon was among those in the sceptical camp and said: "Granada has traditionally been concerned about service industries and cash generation and not hotels. There must be some risk in joining at this point in the hotels cycle. The company will have to justify this move to shareholders, but if anyone can make it work then it is Granada."

Grid grey market

National Grid Group traded strongly on its first day of dealings on the grey market.

Dealings opened at 235p, well above the anticipated range of 215p and 220p, and touched a high of 332p before retreating on late afternoon profit-taking to close at 228p. Volume was 22m shares.

Mr Philip Hollobone at Williams de Broë urged investors to buy the National Grid and regional electricity stocks and said: "There is tremendous value in the rump recs, with London and Yorkshire offering yields of more than 7 per cent, and Northern at 9 per cent."

Reflecting the National Grid spin-off, the market began to quote two separate prices for the recs. Ex the National Grid, shares in London closed at 695p, while Yorkshire ended at 702p and Northern at 640p.

Lloyds Bank leapt 21½ to 871p and TSB Group rose 7 to 415p after the UK Department of Trade and Industry cleared the proposed merger of the two groups.

There was bid talk in Standard Chartered and the shares put on 20 at 572p, while dealers reported some switching from National Westminster into Barclays. NatWest hardened 5½ to 692p, while the latter climbed 17 to 810p.

Chemicals group Courtaulds shrugged off its recent gloom and surged 39 to 399p on relief that the group's first-half figures had not been worse. Several market watchers were encouraged by the company's statement.

However, several analysts downgraded full-year profits expectations. The list included Mr Jeremy Chantry at Kleinwort Benson. He reduced his figure by £10m to £140m but said: "I think the group is now over the worst and the shares will continue to reverse the recent underperformance."

Granada's bid thrust sparked a number of disparate reactions among media stocks.

Yorkshire Tyne-Tees TV, in which Granada has a 14 per cent stake, came off 16 to 612p as takeover hopes were put on hold. Dealers reasoned that Granada's move on Forte meant that any early bid for YTT was now out of the question. In contrast, BSkyB moved ahead 5 to 388p in 4.5m traded following a denial by Granada that its stake in the satellite broadcaster would be sold to help finance the Forte deal.

News that Virgin Television had been granted the legal right to challenge the recent award of the Channel 5 licence hit shares in Pearson, which owns the Financial Times.

Channel 5 Broadcasting, partly owned by Pearson, won the licence last month. Pearson shares, which were also affected by diminishing takeover hopes, shed 11 to 648p.

Tobacco and insurance giant BAT Industries, a good market lately, broke through to a new 1995 high. Investors were said to be seeking a yield above the composite insurance average. The shares moved forward 14 to 579p.

International trader Inchcape continued to suffer from dividend worries. The shares, which fell 12¼ to 255½p to yield more than 7 per cent, have retreated some 16 per cent in four days' trading.

Among builders merchants, Meyer International jumped 15 to 378p following better than expected interim profits. Profits fell but were possibly £3m above analysts' estimates.

MARKET REPORTERS:
Joel Kibazo, Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Nov 22	Nov 21	Nov 20	Nov 17	Nov 16	Yr ago	*High	*Low
Ordinary Share	2656.8	2615.9	2647.6	2638.9	2641.8	2323.8	2686.5	2238.3
Ord. div. yield	4.05	4.10	4.05	4.06	4.06	4.49	4.73	4.02
P/E ratio net	15.71	15.65	15.85	15.89	15.89	17.45	21.33	15.35
P/E ratio nil	15.61	15.49	15.69	15.72	15.73	17.03	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2651.3	2653.9	2649.4	2646.1	2653.8	2654.5	2652.5	2658.2	2656.2	2657.3	2645.6

	Nov 22	Nov 21	Nov 20	Nov 17	Nov 16	Yr ago
SEAQ bargains	32,092	30,881	34,277	35,303	32,236	27,343
Equity turnover (£m)†	-	2190.0	1671.6	1621.0	1997.1	1499.8
Equity bargains†	-	37,524	40,853	41,503	38,137	29,950
Shares traded (ml)†	-	780.3	621.0	620.8	714.2	661.9

†Excluding intra-market business and overseas turnover.

London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	627	Total Highs	123	Total contracts	44,737
Total Falls	614	Total Lows	45	Calls	24,380
Same	1,635			Puts	20,357

Nov. 22 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3642.0	3644.0	+29.0	3648.0	3628.0	6124	64192
Mar	3666.0	3667.5	+29.0	3666.0	3661.5	54	8919
Jun	-	3674.0	+29.0	-	-	0	134

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3970.0	+10.0	-	-	0	3200
Mar	-	4015.0	+10.0	-	-	0	300

FT-SE 100 INDEX OPTION (LIFFE) (*3630) £10 per full index point

	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600 C	3600 P	3650 C	[illegible]
Dec	202	6½	158	10½	111	17½	73	30½	42½	[illegible]
Jan	217½	18	175½	28½	138½	38½	105½	55½	74½	[illegible]
Feb	236½	26½	198½	38	161	51	130	70	100	[illegible]
Mar	247	37	210½	49	176½	64½	147	84	117½	[illegible]
Jun†			259½	90½			188	122½		[illegible]

Calls 1,271 Puts 1,741

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3475 C	3475 P	3525 C	3525 P	3575 C	3575 P	3625 C	3625 P	3675 C	[illegible]
Dec	176	7	131½	13	91½	22½	56½	38	31½	[illegible]
Jan	197½	22½	158	32	121½	45	98	62½	63	[illegible]
Feb	213½	27½	176	39½	142½	55	113	74½	87½	[illegible]
Mar			193½	54½			127	85½		[illegible]
Jun†			237	84			177½	130½		[illegible]

Calls 325 Puts 1,376 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	32.2	93	92	Abtrust Asian Smlr	92		-	-	-	-
-	F.P.	2.24	33	32	Do Warrants	32		-	-	-	-
-	F.P.	2.13	10	9	†Arlon Props	9		v-	-	-	-
306	F.P.	46.6	301	285	BZW Eqs Bermuda	287	+1	v-	-	-	-
-	F.P.	61.2	102	101	Benfield & Rea	102		-	-	-	-
-	F.P.	5.76	64	50	†Chartwell Intl	64		v-	-	-	-
-	F.P.	44.5	139	102	†Creca Intl	124		-	-	-	-
[illegible]											

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Nov 21	% chg on day	Nov 20	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (34)	1869.06	-0.1	1870.73	1998.30	1.90	-	2083.88	1637.91
Regional Indices								
Africa (16)	2493.35	-0.1	2494.99	3263.93	4.01	21.64	3263.93	2272.74
Australasia (6)	2330.21	+0.4	2321.54	2624.59	2.13	26.15	2624.59	1798.20
North America (12)	1626.95	-0.2	1630.19	1511.76	0.83	46.71	1831.00	1348.18

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FT - SE Actuaries Share Indices — The UK Series

	Nov 22	Day's chge%	Nov 21	Nov 20	Nov 17	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3632.4	+0.8	3604.1	3628.8	3609.2	3027.5	3.94	2.09	15.16	132.82	1443.83
FT-SE Mid 250	3949.3	+0.2	3941.2	3966.8	3964.5	3486.8	3.48	1.85	19.41	134.37	1543.41
FT-SE Mid 250 ex Inv Trusts	3969.4	+0.2	3962.0	3990.5	3989.3	3493.9	3.61	1.91	18.11	141.07	1551.83
FT-SE-A 350	1801.4	+0.7	1789.6	1801.8	1793.9	1521.2	3.84	2.05	15.92	64.84	1484.05
FT-SE-A 350 Higher Yield	1806.2	+0.9	1789.7	1798.0	1788.6	1521.7	4.83	1.84	14.09	80.22	1217.39
FT-SE-A 350 Lower Yield	1801.1	+0.4	1794.1	1810.2	1804.1	1481.2	2.81	2.41	18.41	48.21	1222.79
FT-SE SmallCap	1952.56	+0.1	1951.35	1953.73	1948.91	1762.75	3.33	1.70	22.17	56.99	1574.41
FT-SE SmallCap ex Inv Trusts	1935.40	......	1935.47	1937.88	1933.55	1733.83	3.56	1.77	19.83	60.03	1569.00
FT-SE-A ALL-SHARE	1776.60	+0.6	1765.73	1776.97	1769.50	1567.68	3.80	2.02	16.25	63.03	1467.41

FT-SE Actuaries All-Share

	Nov 22	Day's chge%	Nov 21	Nov 20	Nov 17	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	3083.35	+1.1	3050.97	3045.25	3021.23	2633.50	3.80	2.02	16.30	116.67	1297.47
12 Extractive Industries(7)	4206.94	+0.7	4178.63	4174.79	4146.69	3753.46	3.52	2.51	14.16	143.77	1206.22
15 Oil, Integrated(3)	3108.63	+1.2	3071.35	3062.47	3037.37	2599.05	3.96	1.95	16.14	123.19	1341.00
16 Oil Exploration & Prod(13)	1902.83	+0.3	1897.91	1912.17	1898.31	1846.38	2.84	1.49	31.67	49.88	1129.45
20 GEN INDUSTRIALS(277)	1944.05	+0.2	1939.95	1965.85	1968.04	1840.08	4.27	1.89	15.52	75.01	1039.91
21 Building & Construction(36)	984.46	-0.5	989.49	994.17	990.99	1019.95	4.07	2.02	15.20	38.19	809.38
22 Building Matls & Merchs(31)	1760.45	-0.2	1763.19	1797.61	1789.84	1822.97	4.23	2.03	14.57	67.09	870.47
23 Chemicals(23)	2344.93	+1.0	2321.28	2388.81	2400.67	2233.10	4.19	1.87	15.99	91.19	1069.65
24 Diversified Industrials(20)	1777.76	......	1777.36	1785.12	1774.09	1732.77	5.58	1.56	14.33	67.44	966.11
25 Electronic & Elect Equip(36)	2134.49	-0.2	2138.03	2158.32	2148.40	1830.18	3.51	1.98	17.98	61.70	1087.80
26 Engineering(68)	2153.77	+0.3	2148.24	2152.47	2159.44	1797.70	3.49	2.27	15.80	70.58	1267.01
27 Engineering, Vehicles(13)	2573.90	+1.2	2543.59	2570.05	2563.08	2285.20	3.65	1.17	29.42	93.56	1311.34
28 Paper, Pckg & Printing(27)	2493.13	+0.6	2478.35	2607.26	2707.78	2785.51	4.02	2.50	12.45	89.95	1018.51
29 Textiles & Apparel(21)	1467.84	-0.3	1472.71	1507.55	1505.37	1555.42	4.90	1.83	13.96	66.68	877.22
30 CONSUMER GOODS(89)	3563.27	+0.4	3539.28	3569.46	3545.09	2724.53	3.79	1.79	18.44	124.75	1285.57
31 Breweries(17)	2755.53	+0.8	2734.97	2728.91	2728.10	2194.96	3.65	1.95	17.51	66.42	1291.70
32 Spirits, Wines & Ciders(9)	2770.74	-0.8	2794.32	2830.65	2819.18	2754.93	4.32	1.63	17.75	107.13	974.31
33 Food Producers(24)	2491.41	+0.3	2482.92	2500.70	2497.83	2253.50	4.03	1.85	16.78	92.00	1100.92
34 Household Goods(11)	2557.29	+1.4	2521.30	2542.25	2555.95	2316.01	3.74	2.13	15.68	90.95	960.17
36 Health Care(17)	1959.73	+0.7	1946.00	1959.55	1955.72	1571.32	2.86	1.81	25.94	48.10	1175.44
37 Pharmaceuticals(10)	4996.26	+0.2	4988.34	5068.32	5002.60	3068.30	3.30	1.70	22.24	162.31	1668.70
38 Tobacco(1)	4904.64	+2.5	4786.05	4726.75	4698.63	3895.39	4.89	1.94	13.18	229.23	1186.58
40 SERVICES(226)	2177.27	+0.5	2165.48	2160.92	2177.12	1896.03	3.08	2.11	19.18	64.99	1114.30
[illegible]											

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry baskets

[illegible]

TRADING VOLUME

Major Stocks Yesterday

[illegible]

هكذا من الأصل

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 22 / Sch)

BELGIUM/LUXEMBOURG (Nov 22 / Frs.)

CZECH REP (Nov 22 / Koruna)

DENMARK (Nov 22 / Kr)

FINLAND (Nov 22 / Mka)

FRANCE (Nov 22 / Frs.)

GERMANY (Nov 22 / Dm.)

GREECE (Nov 22 / Drachma)

ITALY (Nov 22 / Lira)

NETHERLANDS (Nov 22 / Fls.)

NORWAY (Nov 22 / Kroner)

POLAND (Nov 22 / Zloty)

PORTUGAL (Nov 22 / Escudo)

SPAIN (Nov 22 / Pts.)

SWEDEN (Nov 22 / Kronor)

SWITZERLAND (Nov 22 / Frs.)

TURKEY (Nov 22 / Tk Lira)

PACIFIC

JAPAN (Nov 22 / Yen)

HONG KONG (Nov 22 / H.K.$)

INDONESIA (Nov 22 / Rupiah)

MALAYSIA (Nov 22 / MYR)

NEW ZEALAND (Nov 22 / NZ $)

SINGAPORE (Nov 22 / S$)

AUSTRALIA (Nov 22 / Aust$)

SOUTH KOREA (Nov 22 / Won)

TAIWAN (Nov 22 / TW $)

THAILAND (Nov 22 / Baht)

MONTREAL (Nov 22 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Nov 22 / Rand)

NORTH AMERICA

CANADA

TORONTO (Nov 22 / Can $)
4 pm close

INDICES

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x Index)							
Nov	1888.0	1887.5	+7.5	1896.0	1870.0	13,827	28,707
Dec	1898.0	1896.5	+7.5	1902.5	1882.0	2,686	21,993
DAX							
Dec	2215.0	2196.0	-11.0	2221.5	2191.0	18,895	95,294
Mar	2239.5	2217.0	-8.0	2241.0	2212.0	1,115	-
OMX							
Nov	1367.00	1369.00	-1.00	1374.25	1365.00	6,097	10,900
Dec	1376.00	1376.50	-2.00	1384.00	1374.75	4,035	7,218
SOFFEX							
Dec	3205.0	3206.5	+19.5	3206.9	3194.0	4,409	13,094
Jan	—	3213.7	—	—	—	1	716

US INDICES

Dow Jones	Nov 21	Nov 20	Nov 17	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	5023.55	4983.09	4989.95	5023.55 (21/11)	3832.08 (30/1)	5023.55 (21/11/95)	41.22 (2/7/32)
Home Bonds	104.49	104.45	104.25	104.49 (21/11)	93.63 (3/1)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1999.44	2005.63	2005.63	2010.45 (6/11)	1473.19 (3/1)	2018.45 (6/11/95)	12.32 (8/7/32)
Utilities	215.99	215.00	218.39	219.89 (25/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5050.28 (5030.77) Low 4948.04 (4946.60) (Theoretical♦)
Day's high 5023.91 (5003.68) Low 4976.84 (4976.58) (Actual♦)

Standard and Poors	Nov 21	Nov 20	Nov 17	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	600.24	598.85	600.07	600.24 (21/11)	459.11 (3/1)	600.24 (21/11/95)	4.40 (1/6/32)
Industrials¶	705.98	702.28	705.97	705.98 (21/11)	546.28 (3/1)	705.98 (21/11/95)	3.62 (21/6/32)
Financial	60.29	59.85	60.21	61.38 (18/10)	41.84 (3/1)	61.39 (18/10/95)	8.64 (1/10/74)
NYSE Comp.	320.23	318.92	320.12	320.23 (21/11)	250.73 (3/1)	320.23 (21/11/95)	4.46 (25/4/42)
Amex Mkt Val	528.55	531.58	531.98	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Cmp	1024.99	1029.47	1045.03	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

RATIOS

	Nov 17	Nov 10	Nov 3	Year ago
Dow Jones Ind. Div. Yield	2.35	2.39	2.41	2.79
	Nov 15	Nov 8	Nov 1	Year ago
S & P Ind. Div. yield	2.03	2.04	2.07	2.38
S & P Ind. P/E ratio	18.37	18.23	17.99	19.03

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Micron Tech	10,694,800	50½	+¾
British Petm	6,507,100	94½	+2
Motorola	6,381,300	61½	-1¼
Texas Insts	5,543,300	55	-1¼
K-Mart	5,363,600	7⅞	——
Vodafone	5,341,900	33¾	-¾
Telefonos	4,907,200	28¼	+1⅛
Ford Motor	4,036,600	29	+⅛
Hewlett-Pckd	3,944,500	84	+⅛
Boston Beer	3,471,800	28	+8

TRADING ACTIVITY

● Volume (million)

	Nov 21	Nov 20	Nov 17
New York SE	408.298	333.119	429.393
Amex	17.073	13.867	15.976
NASDAQ	548.585	451.355	490.526
NYSE			
Issues Traded	3,086	3,070	3,083
Rises	1,287	1,012	1,367
Falls	1,035	1,267	906
Unchanged	764	791	810
New Highs	130	135	140
New Lows	43	38	28

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Dec	601.60	601.65	-0.10	602.10	601.05	69,472	202,244
Mar	606.90	606.65	-0.40	607.30	606.60	1,521	19,593

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Nikkei 225							
Dec	18360.0	18250.0	-100.0	18410.0	18250.0	11,844	154,472
Mar	18430.0	18290.0	-130.0	18450.0	18290.0	7,351	28,027

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation.

Base values of all indices are 100 except Australia All Ordinary ... Korea Comp Ex 946.35 ...

TOKYO - MOST ACTIVE STOCKS: Wednesday, November 22, 1995

	Stocks Traded	Closing Prices	Change on day
NKK Corp	15.0m	291	-4
Nippon Steel Corp	8.5m	352	-10
Toho Zinc Co	8.4m	670	+26
Mitsubishi Hvy	5.3m	808	-12
Mitsui Eng & Bldg	5.2m	265	-5
Kobe Steel	4.6m	288	-6

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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4 pm close November 22

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
19	12	AAR	0.48	2.6	25	107	18	18½	18½	-¼
48¼	35	AMP	0.92	2.3	20	3066	40	39¾	39⅞	-⅛
80¼	53	AMR			16	9080	71	69	71	+2
47⅞	36	ASA x	1.71	4.5	25	507	38⅝	37⅞	37⅞	-¼
44¾	30¾	AbbtL	0.84	2.1	19	7283	41¾	40¾	40¾	-½
18⅞	12	AbbtW Pr	0.40	2.4	8	1693	16⅞	16¼	16¼	+½
27⅞	21	ABM Ind	0.60	2.2	15	45	27	27	27	+¼
17½	13½	Acptocain			10	207	15¼	15	15	+⅛
37¼	21	ACE Ltd	0.56	1.5	8	307	38¼	38	38¼	+⅜
9⅞	8	ACM Gvt In	0.90	9.5	6	370	9¾	9½	9½	-⅛
7¾	6½	ACM GvOpp	0.66	8.9		26	7	7¼	7	
7½	5	ACM Gvt Sp	0.75	10.7		154	7	6⅞	7	
8¾	7¼	ACM Gvt Se	0.90	10.4		388	u8¾	8⅝	8⅝	
9½	7	ACM Man	0.90	10.3		154	8⅞	8¾	8¾	-⅛
29¾	10¼	AcmeCv	0.48	2.2	38	221	22½	21⅛	21¾	-⅝
38¾	7	Acme Elect			68	340	8¼	7	8¼	+⅝
34½	23¾	Acordia	0.72	2.6	15	27	27⅞	27⅞	27⅞	+¼
16¾	10½	Acuson			33	282	10⅞	10¾	10¾	
19⅝	15⅝	Adams Expr x	0.48	2.6	0	331	18	18¼	18¼	
38⅞	2⅞	AdvMic			6	12421	20¾	20	20	-⅛
9¾	5	Advest Grp	0.16	1.8	12	20	9¼	9	9	+⅛
27½	16½	Advo Inc	0.10	0.4	20	346	26⅝	26	26	
42	24.80	Aegon	1.28	3.0	16	15	u42	42¼	42½	+½
5⅞	3	Aeroflex			8	267	4	4	4	
76¼	46¾	AetnaL	2.76	3.7	35	1986	74½	73½	74	+½

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

4 pm close November 22

NYSE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
57¼	38⅝	CRC Cm	1.65	3.1	18	2881	53⅞	53⅛	53⅝	-⅜
28⅜	20½	Scana Corp	1.44	5.8	18	1154	25⅞	25½	25¾	
16	14½	Scecorp	1.00	6.2	9	7252	16¼	15⅞	16	-1
11¼	6⅛	SchwkA	0.26	3.9	17	21	6⅞	6¾	6¾	
50¼	37¼	ScherrRP			22	457	43⅛	42½	43	+¼
58½	35½	SchrPl	1.16	2.1	20	12153	56⅞	55⅛	55¼	+¼
60⅝	50⅛	Schlmb	1.50	2.3	24	5019	65⅞	65½	65½	-1⅜
29	11¼	Schwab(C)	0.16	0.7	24	4393	23¼	22½	22⅞	
24⅞	11⅜	SCI(Sl)	0.06	0.4	22	2447	16¼	15⅞	16	
20	16⅛	Scotsman	0.10	0.6	10	54	16½	16⅜	16⅜	-⅛
66¼	33½	ScottP x	0.40	0.7	16	6322	u58⅞	55¾	58⅝	+⅝
36⅞	26⅞	Scripps x	0.52	1.3	38	2240	38¾	38⅝	38¾	+¼
21½	13⅜	ScudderNAsF	0.02	0.1		166	13¾	13½	13⅝	-⅛
11⅞	8⅝	ScuddNEsF x	0.16	1.5		171	10⅞	10¾	10¾	
20	13⅜	SeaCnB	0.70	3.9	2	35	18⅝	18	18⅛	-⅛
19¼	14⅝	SeaC1.4625	1.46	9.6		11	15¼	15	15¼	+¼
54	23⅝	S'gate			10	3731	50¼	49⅛	49¼	-⅝
39¼	25⅜	Seagrm	0.60	1.6	38	4375	u38¾	38	38⅜	+⅛
22½	15¼	Seagull En			64	388	19½	19¼	19¼	+⅛
30⅝	18	Sealed Air			25	502	30⅛	30⅛	30⅛	+⅛
39⅞	30⅞	SearsR	0.92	2.3	10	8094	u40	39¼	39⅞	+⅝
19¼	16⅜	SecCapSBl	1.16	6.0	22	1501	u19½	18⅞	19¼	+⅜
12⅛	10⅛	Seligm Sel x	0.84	6.9		12	12¼	12⅛	12⅛	-⅛
38¼	20	Sensormat	0.22	1.0	20	1554	22¼	21⅞	22	-¼
32⅛	21⅞	SequaA	0.60	2.0	13	146	30¼	29¾	29⅞	-⅜
38⅝	23	SequaB	0.50	1.3	30	99	38½	37½	38½	+½
43¾	28¼	ServCp	0.44	1.1	24	5078	42⅛	41	41	-½
29¼	21½	SvMstr	0.98	3.4	13	272	u29½	28⅝	28½	-⅝
7⅞	4⅛	ServMerch			10	4819	6¼	6	6	-¼
57½	22½	SGSThm			45	1809	39⅝	37¼	37⅝	-2⅜
[illegible]										

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
10⅞	7⅞	Talleyind x	0.42	5.3	32	63	8	7⅞	8	+¼
17⅛	12½	Talley Pf x	1.00	6.7		20	15	14½	15	+⅜
52⅛	37⅞	Tmbrds	1.78	3.5	21	2411	51	50⅛	50⅛	-⅜
19¾	10	Tandem			12	2879	11⅝	11¼	11½	+¼
64⅜	43½	Tandy	0.72	1.8	14	1521	45	44⅞	45	+⅝
10¼	9	Tmms Mus x	0.84	8.4		15	10	10	10	-⅛
3	1¾	TCCInd			13	23	2½	2⅜	2½	+⅛
24½	20	Taco Energ	1.08	4.5	16	239	22¾	22½	22⅝	
61⅞	31⅜	Tdnrx	0.60	1.1	19	557	55¼	54⅞	54⅞	-1¼
29¼	24¼	TeleDu	0.93	3.5	2	525	26⅝	26¼	26¼	+⅛
27⅞	19¾	Teldyn	0.40	1.7	8	583	23⅝	23⅛	23⅜	-⅛
44	33¼	TeleEspSA	1.19	2.9	15	1136	41½	41¼	41⅜	+⅝
41½	23	Telmex	0.87	2.9		973866	30¼	28⅝	30	+1¾
55¾	41½	Teplnl	1.20	2.7	9	1968	45⅞	44⅞	45⅞	+⅜
22⅛	16⅝	TemplEmMk	0.10	0.6		312	17⅞	17¼	17⅝	+⅜
7⅛	6¼	TemplGlob	0.60	8.6		36	d7⅛	7	7	-⅛
7¼	6⅝	TemplGlFd x	0.60	8.4		972	7⅛	7	7⅛	+⅛
50⅛	41⅞	Tenneco x	1.60	3.5	10	7714	45⅞	44⅞	45⅞	+1⅛
36	25¼	Teppco Pts	2.60	7.2	11	48	u36	35⅞	36	
43	16	Teradyne			13	8642	25⅞	23⅛	23¾	-1¼
7⅛	3⅛	Terex	0.06	1.3	1	76	4⅝	4½	4½	-¼
14⅞	9¾	Terra Inds x	0.12	0.9	6	1788	13⅞	13⅝	13¾	+⅜
12	7¼	Tesoro			3	78	8½	8¼	8⅛	-⅜
72⅝	59¾	Texaco	3.20	4.5	15	4551	72	71⅞	71⅛	-½
54⅝	30⅛	Texas Ind	0.40	0.7	11	314	54⅛	52½	54	+½
83½	34½	TxInst	0.68	1.3	10	41316	56½	52¼	52½	-2½
28¾	17	Texas Pac	0.40	1.8	19	40	24¼	23⅝	24¼	+⅝
38¾	30⅛	TxUtil	3.08	7.9	47	3540	u38⅞	38⅝	38¾	+⅜
3⅜	2⅝	Textl Inds	1.10	40.0	45	108	2⅞	2¾	2¾	
73¼	48⅝	Textrn	1.56	2.1	13	1141	u74	72⅛	73⅞	+1
5⅝	3⅝	Thackeray			60	50	4⅝	4¼	4¼	-⅛
19	13⅞	Thai Cap	1.80	12.8		134	14⅞	14⅝	14⅞	+¼
28½	19¼	Thai Fund	0.07	0.3		227	23¾	23¼	23⅝	+⅝
[illegible]										

- V -

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4 pm close November 22

AMEX COMPOSITE PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
NVR		10	416	9⅝	9½	9½	+⅛
Pegasus G	0.10	127	1899	13	12½	12¾	
Peril	0.80	1	391	8⅞	d8⅛	8⅜	-¼
Pitwy A	0.50	32	69	60½	59¼	60½	+1
PMC	1.02	10	65	13	12⅞	13	+⅛
PresidioA	0.10	0	1130	$1\frac{3}{32}$	$\frac{3}{32}$	$\frac{3}{32}$	
RegalBeloit		34	10	34	33	34	+1½
SJW Corp	2.16	10	15	35½	35	35½	+½
Tab Prods x	0.20	23	43	6⅝	6$\frac{7}{16}$	6$\frac{7}{16}$	-$\frac{3}{16}$
TeleData	0.38	20	841	38⅛	37¾	37⅞	+¼
Thermedics		51	421	22¼	22⅛	22⅛	-⅛
Thermoloss		30	372	31⅞	31¾	31⅞	
TotPNA	0.30	148	300	10⅜	10⅜	10⅜	-⅛
TownCntry		3	155	¾	$\frac{11}{16}$	$\frac{11}{16}$	-$\frac{1}{16}$
Tubos Mex		5	z100	2⅞	2⅞	2⅞	
Tubos Mex		10	1065	6⅝	6⅜	6⅝	+⅛
TurnerBrA	0.07	62	359	25½	25⅛	25¼	+⅛
TurnerBrB	0.07	63	1403	25¾	25½	25⅝	+⅛
UtdFoodsA		4	14	1⅞	1¾	1¾	
UtdFoodsB	0.20	40	5	2	2	2	
US Cellul		34	740	34¼	33⅞	34⅛	+⅜
ViacomA		158	5592	48⅝	47¾	47¾	-¾
ViacomB			15234	48⅞	48⅛	48⅛	-⅝
WRET x	1.12	18	299	10⅝	d10½	10½	-¼
NY TmA	0.56	20	1131	29¾	29¼	29½	
NumacE		105	4	4¼	4¼	4¼	
Xytronix		2	66	$1\frac{13}{32}$	1⅞	$1\frac{13}{32}$	+$\frac{1}{16}$
GrossmanA		18	50	12½	12⅛	12⅜	-¼
Gulf Cda	0.34	5	85	4$\frac{7}{16}$	4⅛	4⅛	
HanDir		13	729	1⅝	1$\frac{9}{16}$	1$\frac{9}{16}$	+$\frac{1}{16}$
Comineo	0.30	15	19	21⅝	21	21⅝	+⅝
CompTch		71	66	8	7¾	7⅞	-⅛
Computrac		22	141	2½	2¼	2¼	-⅛
Concd FbA		19	30	3⅞	d3¾	3⅞	
CrownCT A	0.64	32	548	15¾	15⅝	15⅝	+¼
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close November 22

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

AMERICA

Dow outpaces broader indices in further rally

Wall Street

Having breached the 5,000 barrier on Tuesday, blue chip shares continued to advance yesterday, while broader indices were flat to modestly lower, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was 23.12 stronger at 5,046.67, but the Standard & Poor's 500 had fallen below its own psychological barrier of 600 and was 0.72 off at 599.52. The American Stock Exchange composite added 0.34 at 528.89. NYSE volume was a heavy 237m shares.

Although activity was brisk throughout the morning, it was expected to slacken off in the afternoon as traders headed home in advance of today's Thanksgiving holiday.

Shares in consumer goods companies, which had led the most recent rally, retreated a little, but cyclical issues made up for the lost momentum. The *Morgan Stanley* index of consumer shares shed 0.7 per cent compared with a 1.6 per cent *increase in the counterpart* index of cyclical stocks.

The story was the same in the Dow, where Coca-Cola fell \$1¼ to \$75½. Procter & Gamble *gave up \$1½ at \$84¾ and* McDonalds slipped \$1 to \$44. Aluminum Company of America added \$2¼ at \$57⅞, Allied Signal rose \$1 to \$45¼, Du Pont gained \$1⅛ at \$66⅝ and International Paper climbed \$1⅞ to \$36⅞.

IBM, which exerts a big influence on the Dow because it has the highest share price in the price-weighted index, added \$1⅛ at \$96.

Technology shares were mixed and the Nasdaq *composite,* which is weighted towards high-tech issues, eased 0.02 to 1,024.97 while the Pacific Stock Exchange Technology index picked up 0.3 per cent. Microsoft, the largest company on the Nasdaq, was unchanged at \$88, Intel slipped \$⅛ to \$62½ and Oracle was off \$1 at \$44⅞.

But companies with connections to the internet or online services gained strength. America Online added \$1⅛ at \$67⅞, Intuit was \$3¾ stronger at \$72, Netscape Communications firmed \$¼ to \$108¼ and *Spyglass put on \$⅝ at \$91¼.*

Humana, the healthcare services company, received a boost from news that it would be added to the list of S&P 500 *companies at the end of the* month. Shares in the company gained \$1 at \$24⅛.

Canada

Toronto put in a strong performance at midday, boosted by higher bonds and railway stocks, and the TSE-300 Composite index was 31.34 ahead by noon at 4,556.04 in good volume of 35.8m shares.

Canadian Pacific continued *on the upward track, rising* C\$⅞ to C\$25¼ in further response to the restructuring plan announced on Monday.

Newbridge Networks, the computer networking company, jumped C\$4⅝ to C\$56⅝.

SOUTH AFRICA

Johannesburg was weaker as the market ignored Wall Street's overnight performance, and the lower bullion price left gold shares falling. The overall index declined 31.3 to 6,014.1, industrials *retreated 34.4 to 7,647.1 and* golds gave up 34.8 to 1,324.5.

EUROPE

Zurich takes stock after all-time high

A sustained assault on its all-time high paid off for ZURICH as the SMI index climbed 17.1 to 3,201.0, surpassing the previous peak set in January 1994. A solid performance from the pharmaceuticals sector drove the market ahead, while *lower than expected US trade* deficit figures also raised hopes for a stronger dollar.

Mr Mirko Sangiorgio, head of equities research at Pictet, the private Geneva bank, expressed some concern that the rally had continued for so long, with barely a pause. He noted that the current upward phase was being driven by demand from Swiss pension funds and institutions which, by law, had to make a return *of 4 per cent a year. With the* long bond yield below 4 per cent, they had turned increasingly to equities.

Mr Sangiorgio expected that the market would continue higher over the next month before a small correction in January and February. However, he remained bullish on a nine to 12 months view, on forecast corporate earnings growth of 15 per cent this year, rising to 20 per cent in 1996.

Nestlé gave up SFr9 to SFr1,220 on profit-taking as the 10-month figures proved in line *with expectations and on disappointment* that senior management changes would not take effect until 1997.

Adia continued to rally, up SFr17 to SFr198, for a two-day rise of 19.3 per cent, in further response to the results. *Ares-Serono appreciated SFr45 to* SFr800 after releasing nine-month figures.

MADRID traders said that foreign investors were in evidence for the first time in weeks as the general index rose 4.56 or 1.5 per cent to 307.92. Turnover rocketed from Pta23.1bn to Pta40.7bn.

Renewed hopes of a repo rate *cut by the Bank of Spain today* lifted banks by 1.6 per cent and the rate-sensitive electric utilities *by 1.9 per cent.* Construction stocks, which tend to exaggerate swings in sentiment, climbed 3.4 per cent, with Agroman up 11.6 per cent and Cubiertas Pta520 or 8.6 per cent higher at Pta6,580.

FRANKFURT dealers, given the rise in the Dow and a relatively stable dollar and bunds, were expecting stability or better in the equity market, said Ms Barbara Altmann at B Metzler. What they got was an Ibis-indicated Dax index 7.37 lower at 2,194.73, reflecting severe treatment for a couple of index stalwarts, and more pain in second liners.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Nov 22 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1443.29	1441.92	1441.51	1440.32	1439.58	1440.39	1440.84	1441.45
FT-SE Eurotrack 200	1550.76	1548.48	1550.08	1550.22	1550.47	1549.98	1551.08	1552.90

	Nov 21	Nov 20	Nov 17	Nov 16	Nov 15
FT-SE Eurotrack 100	1440.06	1448.56	1432.65	1432.37	1412.62
FT-SE Eurotrack 200	1547.28	1552.88	1541.25	1542.61	1522.69

Base 1000 (26/10/90); High/day: 100 - 1443.89; 200 - 1553.80 Low/day: 100 - 1439.94 200 - 1546.23 † Partial

Turnover rose from DM5.8bn to DM7.1bn but a lot of the rise was in Mannesmann, which fell DM16.30 to DM462.40 after a sell recommendation by an American house. Retailers were weak, too, Douglas losing another DM3 or 5.9 per cent at *DM47.50 and Karstadt DM22.70* at DM584. Outside the Ibis, Linotype was savaged after *Tuesday's loss forecast,* dropping another DM14 to DM142.

PARIS was pulled forward by the Dow, the CAC-40 index finishing 2.54 higher at 1,875.47. Accor, the recently out-of-form hotels and tourism group, recovered FFr10 to FFr617 following Granada's bid for Forte in the UK.

There was good and bad news in *financials:* Cie Bancaire declined FFr4 to FFr534 on disappointing nine-month figures; and GAN, which refused to comment on reports that it would *sell* its industrial asset unit CFLPE, rose FFr2.60 to FFr160.10 while CFLPE, before being suspended, leapt FFr8.10 to FFr115.50.

MILAN was becalmed in the virtual absence of political or corporate incentives to trade *and the Comit index* edged 0.71 higher to 569.66.

Some switching was seen in the *telecommunications sector* as Telecom Italia rose L65 to L2,299 and Tim gave up L91 to L2,596.

Italgas jumped L166 to L4,498 on news that, with Snam, it might take control of a Hungarian regional gas supplier.

STOCKHOLM withstood weakness in Ericsson B, the Affärsvärlden General index losing just 0.4 to 1,727.9 as the telecoms group fell SKr4 or 2.6 per cent to SKr150. Forestries rose 1.2 per cent, with MoDo up SKr7 at SKr324 on nine-month profits ahead of expectations. However, an FM8 or 3.5 per cent fall in Nokia A worked through to **HELSINKI**'s *Hex index,* which closed 24.77 lower at 1,813.89.

LISBON saw Portucel, the pulp group, hit Esc790 before closing Esc11 lower at Esc835. The BTA index hit another new 1995 low, down 14.8 at 2,412.9.

WARSAW recovered *following* a two-day reaction to Mr Lech Walesa's presidential election defeat, the Wig index putting on 189.1 or 2.4 per cent at 7,977.5. However, analysts were unwilling to predict a continued uptrend, saying that investors would be vigilant about any signs that the ruling left wing coalition might plan *to soften* the thrust of market reforms.

ATHENS rebounded 1.6 per cent as institutional *investors* returned as buyers, apparently brushing off the prime minister's illness and deciding that the declines of the previous two sessions had been overdone. The general index rose 13.85 to 866.29.

Written and edited by William Cochrane and Michael Morgan

Falling rates help Mexico up 3%

Mexico City surged ahead in midday trade after interest rates fell late on Tuesday for the first time in nine weeks. The IPC index raced through the psychologically important 2,500-*point barrier to stand 74.92 or* 3.1 *per cent up at* 2,523.35 after the rate on the benchmark 28-day *Cetes*, or T-bill, dropped 535 basis points to 54.74 per cent.

B shares in Bancomer, the financial group, led the gains by rising 6.43 per cent, followed by Cemex, up 6.2 per cent, and Telmex L, 3.9 per cent higher.

BUENOS AIRES maintained its rally as a 7.22 rise in the Merval index to 444.51 in lunchtime trade took the market's advance over the last week to 12 per cent. Sharp early gains were seen in Ciadea, the carmaker, which leapt 6.3 per cent, while *Telefónica and Telecom advanced 5.5* per cent and 3.5 per cent respectively.

SAO PAULO edged back from its best morning levels but was still 1.2 per cent higher in midday trade, supported by Telebras as investors continued to buy on expectations that telephone rates would be raised soon.

The Bovespa index put on 490 at 41,086 as Telebras preferred climbed 3 per cent.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms: Nov. 17 1995	% Change over week	% Change on Dec '94	Local currency terms: Nov. 17 1995	% Change over week	% Change on Dec '94
Latin America	(252)	433.55	+1.2	-25.3			
Argentina	(30)	677.55	+5.2	-7.7	415,573.62	+5.1	-7.8
Brazil	(72)	296.12	+1.4	-23.0	1,065.34	+1.4	-12.6
Chile	(36)	706.22	+2.6	-10.0	1,156.30	+1.5	-8.3
Colombia[1]	(16)	551.92	-3.0	-32.0	980.30	-2.7	-18.0
Mexico	(67)	382.93	-0.9	-37.0	1,275.50	+1.4	-1.2
Peru[2]	(19)	176.26	+5.7	-1.2	249.97	+5.3	+5.1
Venezuela[3]	(12)	618.14	+5.7	+24.9	2,412.69	+5.7	+24.8
Asia	(677)	213.05	-2.3	-14.6			
China[4]	(20)	53.33	-6.5	-29.7	56.03	-6.5	-30.8
South Korea[5]	(159)	136.08	-1.9	-0.5	137.74	-1.7	-2.8
Philippines	(25)	221.36	-6.4	-25.7	280.57	-6.0	-20.2
Taiwan, China[6]	(93)	99.80	-3.3	-39.3	102.17	-3.0	-37.0
India[7]	(101)	81.15	-5.3	-34.3	99.96	-4.9	-27.4
Indonesia[8]	(42)	98.34	-5.4	-1.4	122.07	-5.3	+2.5
Malaysia	(114)	241.68	-1.5	-10.1	225.71	-1.6	-10.9
Pakistan[9]	(36)	235.76	-4.3	-35.6	366.32	-4.3	-28.4
Sri Lanka[10]	(19)	106.85	-3.4	-37.9	122.50	-3.1	-33.9
Thailand	(68)	352.53	+0.8	-8.1	351.88	+0.8	-8.0
Euro/Mid East	(209)	140.75	-0.4	+18.8			
Greece	(40)	238.15	-1.3	+5.5	375.39	-1.8	+2.1
Hungary[11]	(5)	115.48	-2.0	-23.9	183.99	-2.2	-10.9
Jordan	(8)	183.82	-0.6	+22.5	274.39	-0.8	+23.4
Poland[12]	(16)	467.56	-0.9	-2.5	709.89	-0.7	-1.4
Portugal	(27)	116.09	-1.1	-4.1	117.67	-1.9	-11.2
South Africa[13]	(64)	251.06	-0.2	+11.7	189.09	+0.1	-0.0
Turkey[14]	(44)	126.95	-0.9	+4.3	3,153.04	+0.7	+42.5
Zimbabwe[15]	(5)	271.79	+2.3	+11.1	369.76	+2.4	+22.7
Composite	(1138)	260.10	-0.7	-15.4			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1993; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Aug 4 1989; (15)June 2 1993.

Share prices fell sharply in Karachi yesterday, putting further pressure on Pakistan's already strained business confidence, writes Farhan Bokhari in Islamabad.

The KSE-100 index dropped 35.08 or almost 2.5 per cent to 1,419.84, marking one of the steepest single-day falls this year. The index has lost more than 30 per cent during the last 12 months.

The fall was initially triggered by rumours that the Mohajir Qaumi Movement, a Karachi-based ethnic political party, had called another strike which would have brought the city to a halt. Even though it emerged later that no such call had been made, shares continued to weaken.

Some brokers summed up yesterday's events as a "black Wednesday". Mr Iqbal Hasan, chief executive of Global Securities, said: "It was just a bloodbath. There is a general sense of depression over the political and economic situation."

Many brokers saw the decline as a further response to the deaths of 1,650 people in street violence in Karachi this year. So far, the government's efforts to negotiate a settlement with the MQM have failed to bring about a peace agreement.

On the economic front, business confidence remains depressed by the violence. Pakistan devalued the rupee last month to revive sagging exports and to improve the country's foreign exchange reserves.

However, yesterday's drop surprised many observers because it came on a day when the market had been expected to stage a recovery after reports that Pakistan had succeeded in reaching agreement with the IMF for a \$600m standby loan.

ASIA PACIFIC

Profit-taking hits Nikkei ahead of holiday

Tokyo

Profit-taking emerged ahead of today's national holiday, and the Nikkei index closed lower after a four-day winning streak, *writes Emiko Terazono in Tokyo.*

The 225 index lost 144.48 at 18,239.84 after extremes of 18,213.33 and 18,372.16. The Topix index of all first section stocks dipped 9.38 to 1,445.06 *and the Nikkei 300 shed 1.65 to* 271.12. Declines outscored advances by 671 to 352, with 194 issues unchanged.

Volume fell to 370m shares from 506m, with Wall Street's record close on Tuesday failing to provide support. However, a firm futures market prompted arbitrage buying, preventing a sharper decline in the Nikkei average although there was profit-taking in steels.

In London the ISE/Nikkei 50 index eased 0.70 to 1,231.45.

Steel issues, which rallied on Tuesday, were down on profit-taking. NKK, the day's most active issue, slipped Y4 to Y281 *and Nippon Steel* receded Y10 to Y352. Shipbuilders were also lower, with Mitsubishi Heavy Industries down Y12 to Y808 and Mitsui Shipbuilding off Y5 at Y265.

Banks were lower in spite of reports that the Ministry of Finance and the Bank of Japan would announce a scheme to liquidate Kizu Credit Union, *the small financial institution* which collapsed in August. The authorities announced that they would create a Japanese version of the Resolution Trust Corporation of the US, to deal with bankrupt banks and other financial institutions.

Some investors adjusted positions ahead of the banks' interim earnings announcements on Friday. Sakura Bank fell Y30 to Y1,070 and Fuji Bank declined Y40 to Y2,000.

Toray Industries, the textile maker, forged ahead Y19 to Y680 on active European buying. *Mitsubishi Rayon* hardened Y1 to Y435.

In Osaka, the OSE average declined *81.53 to 19,573.24* in volume of 152m shares. High-technology stocks were lower, with Nintendo, the video game maker, down Y210 to Y7,360 and Murata Mfg retreating Y120 to Y3,380 on selling by *overseas investors.*

Roundup

The region, mainly, was firm to bullish. **KUALA LUMPUR** built on Tuesday's technical rally, boosted by foreign fund buying, to end with the KLSE Composite index 17.79 higher at 935.00 for a two-day gain of *4.6 per cent.*

Volume, up from 131.6m shares to 207.7m, was more than double its average level of recent weeks, leaving traders hoping that this week's gains could be sustained in the immediate short term.

BANGKOK's *foreign* investors liked Tuesday's rumours of a cabinet reshuffle and the *SET* index rose a further 1.7 per cent or 19.94 to 1,226.07 while a meeting between partners in the seven-party coalition *government* was in progress. Turnover was Bt6.4bn.

Foreigners bought shares mostly in the banking and finance sectors.

JAKARTA rose by a percentage point, once again on foreign buying. The JKSE composite index put on 4.70 at 458.75 on selective buying of large-capitalisation issues *which were thought to have* hit bottom. Telkom, the most actively traded, rose Rp50 to Rp2,175 in near to 26m shares dealt.

MANILA surfed up on a \$2⅛ gain in Philippine Long Distance Telephone on Wall Street *overnight,* the composite index climbing 16.09 to 2,268.33. PLDT gained 5 pesos to 1,410.

HONG KONG was encouraged by Wall Street's overnight performance before profit-taking emerged to trim a sharp *early advance.* The Hang Seng index ended 49.52 up at 9,501.61, having been ahead 118 points at one stage. Turnover picked up to HK\$4.2bn.

Local demand centred on Hongkong Telecom, 70 cents or 5.7 per cent higher at HK\$12.90: the sudden departure of the chairman and chief executive of the parent group, Cable and *Wireless, prompted speculation* that a stake in the Hong Kong company might be put up for sale.

Locally listed mainland China companies also staged a technical rebound, after a sustained period of weakness, with the H share index improving 30.47 or 4.4 per cent to 726.92. Dealers, however, noted very limited demand.

SHANGHAI's hard currency B shares were dragged down by selling of electrical appliance makers, seen as vulnerable to China's plans to cut import tariffs next year. The index *lost 0.331 to 50.374.* **SHENZHEN**'s B shares remained on the downward track, with investors apprehensive about new listings. The index shed 0.05 to 64.22.

BOMBAY saw state owned investment institutions step in *to halt a downward spiral* which took the market below the 3,000 level for the first time in many months, but the BSE-30 index still finished 61.17 or 2.0 per cent lower at 3,001.52.

Telco, the country's largest vehicle maker, lost Rs11 to Rs340 in spite of Tuesday's report of a 230 per cent jump in net profits in the six months to the end of September.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY NOVEMBER 21 1995: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY NOVEMBER 20 1995: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (82)	184.73	0.7	175.67	118.35	135.22	164.81	0.5	3.98	183.46	175.90	117.51	134.72	[illegible]	[illegible]	[illegible]	[illegible]
Austria (27)	172.71	1.3	164.24	110.65	126.42	126.34	1.0	1.33	170.47	163.44	109.19	125.18	[illegible]	[illegible]	[illegible]	[illegible]
Belgium (35)	200.80	0.0	190.95	128.65	146.98	143.34	-0.3	3.65	200.88	192.60	128.66	147.51	[illegible]	[illegible]	[illegible]	[illegible]
Brazil (28)	131.59	1.9	125.14	84.31	96.32	233.53	2.1	1.80	129.15	123.83	82.72	94.84	[illegible]	[illegible]	[illegible]	[illegible]
Canada (100)	147.16	1.0	139.94	94.28	107.72	144.00	1.0	2.58	145.77	139.76	93.37	107.04	[illegible]	[illegible]	[illegible]	[illegible]
Denmark (33)	281.11	-0.2	267.32	180.10	205.78	208.60	-0.5	1.55	281.88	270.07	180.42	208.85	[illegible]	[illegible]	[illegible]	[illegible]
Finland (25)	215.68	-0.7	205.10	138.18	157.87	190.45	-0.8	1.66	217.25	208.30	139.15	159.53	[illegible]	[illegible]	[illegible]	[illegible]
France (100)	181.19	-0.2	172.30	116.08	132.62	137.99	-0.5	3.18	181.54	174.06	116.28	133.31	[illegible]	[illegible]	[illegible]	[illegible]
Germany (59)	161.01	-0.1	153.11	103.16	117.85	117.85	-0.5	2.03	161.26	154.62	103.29	118.42	[illegible]	[illegible]	[illegible]	[illegible]
Hong Kong (55)	360.15	0.7	342.48	230.74	263.62	357.59	0.7	4.10	357.56	342.82	229.02	262.56	[illegible]	[illegible]	[illegible]	[illegible]
Ireland (16)	260.87	0.9	248.07	167.13	190.95	228.67	0.3	3.34	258.59	247.93	165.63	189.89	[illegible]	[illegible]	[illegible]	[illegible]
Italy (58)	70.33	0.1	66.88	45.06	51.48	83.53	-0.2	1.80	70.23	67.33	44.98	51.57	[illegible]	[illegible]	[illegible]	[illegible]
Japan (483)	145.26	-0.2	138.12	93.06	106.32	93.06	-0.1	0.82	145.51	139.51	93.20	106.85	[illegible]	[illegible]	[illegible]	[illegible]
Malaysia (106)	440.26	2.8	418.68	282.07	322.26	431.11	3.0	1.91	428.31	410.67	274.35	314.54	[illegible]	[illegible]	[illegible]	[illegible]
Mexico (18)	903.53	2.9	859.19	578.87	661.34	7616.52	3.7	1.83	878.35	842.14	562.60	645.00	[illegible]	[illegible]	[illegible]	[illegible]
Netherland (19)	261.28	0.2	248.46	167.40	191.25	188.00	-0.1	3.47	260.87	250.12	167.09	191.57	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand (14)	78.66	0.3	74.80	50.40	57.58	63.95	-0.1	4.54	78.45	75.22	50.25	57.61	[illegible]	[illegible]	[illegible]	[illegible]
Norway (33)	228.31	0.8	217.11	146.27	167.11	192.93	0.8	2.17	226.56	217.23	145.12	166.38	[illegible]	[illegible]	[illegible]	[illegible]
Singapore (44)	372.71	0.9	354.43	238.79	272.81	242.61	0.9	1.67	369.24	354.02	236.51	271.15	[illegible]	[illegible]	[illegible]	[illegible]
South Africa (45)	376.11	-0.1	357.65	240.96	275.29	299.72	-0.3	3.94	376.66	361.14	241.26	276.60	[illegible]	[illegible]	[illegible]	[illegible]
Spain (38)	154.59	0.7	147.01	99.04	113.15	141.84	0.3	4.01	153.59	147.26	98.38	112.79	[illegible]	[illegible]	[illegible]	[illegible]
Sweden (47)	318.92	0.8	303.27	204.33	233.44	307.99	0.2	1.95	316.23	303.20	202.56	232.22	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland (41)	228.81	0.3	217.59	146.59	167.48	181.37	0.1	1.65	228.12	218.72	146.12	167.52	[illegible]	[illegible]	[illegible]	[illegible]
Thailand (46)	150.95	2.2	143.54	96.71	110.49	147.23	2.2	2.77	147.63	141.55	94.56	108.41	[illegible]	[illegible]	[illegible]	[illegible]
United Kingdom (206)	226.37	0.1	215.26	145.03	165.69	215.26	-0.7	4.04	226.10	216.78	144.83	166.04	[illegible]	[illegible]	[illegible]	[illegible]
USA (504)	246.04	0.5	233.96	157.63	180.09	246.04	0.5	2.40	244.77	234.68	156.78	179.75	[illegible]	[illegible]	[illegible]	[illegible]
Americas (650)	224.07	0.6	213.08	143.56	164.01	188.28	0.6	2.40	222.82	213.64	142.72	163.62	[illegible]	[illegible]	[illegible]	[illegible]
Europe (737)	197.33	0.1	187.65	126.43	144.44	165.42	-0.4	3.07	197.10	188.98	126.25	144.74	[illegible]	[illegible]	[illegible]	[illegible]
Nordic (136)	283.22	0.4	269.33	181.46	207.31	238.81	0.0	1.87	282.02	270.39	180.64	207.09	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Basin (832)	154.89	0.1	147.29	99.23	113.37	102.66	0.1	1.27	154.80	148.42	99.16	113.68	[illegible]	[illegible]	[illegible]	[illegible]
Euro-Pacific (1569)	172.48	0.1	164.01	110.50	126.24	126.50	-0.1	2.13	172.33	165.23	110.38	126.56	[illegible]	[illegible]	[illegible]	[illegible]
North America (604)	239.92	0.5	228.16	153.71	175.61	239.20	0.5	2.41	238.65	228.81	152.88	175.25	[illegible]	[illegible]	[illegible]	[illegible]
Europe Ex. UK (531)	177.31	0.1	168.61	113.60	129.78	138.44	-0.2	2.52	177.10	169.80	113.44	130.05	[illegible]	[illegible]	[illegible]	[illegible]
Pacific Ex. Japan (349)	247.83	1.1	235.67	158.78	181.40	218.26	1.1	3.98	245.02	234.93	156.94	179.93	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. US (1760)	173.47	0.1	164.96	111.14	126.97	130.18	-0.1	2.17	173.26	166.11	110.97	127.23	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. UK (2058)	192.78	0.3	183.32	123.51	141.11	158.46	0.2	2.07	192.21	184.29	123.11	141.15	[illegible]	[illegible]	[illegible]	[illegible]
World Ex. Japan (1781)	223.89	0.4	212.91	143.44	163.88	208.47	0.2	2.73	222.93	213.75	142.79	163.71	[illegible]	[illegible]	[illegible]	[illegible]
The World Index (2264)	195.72	0.3	186.12	125.39	143.26	163.43	0.1	2.27	195.17	187.13	125.01	143.32	[illegible]	[illegible]	[illegible]	[illegible]

CONSTITUENT CHANGE WITH EFFECT 28/11/95: Addition: ENI (Italy) (Large Cap index). PLEASE NOTE: Wellpoint Health Networks A (USA) will not be an addition, effective 1/12/95, as previously announced. Latest prices were unavailable for this edition.